CAIXA ECONÓMICA MONTEPIO GERAL

Caixa Económica Montepio Geral

ANNUAL REPORT AND ACCOUNTS
2013

Montepio

Contents

Message of the Chairman of the Executive Board of Directors

MESSAGE OF THE CHAIRMAN

At an economic and social level, 2013 was profoundly affected by the crisis and by the difficulties stemming from the austerity measures that have been implemented since 2011, under the Economic and Financial Assistance Programme (PAEF) for the country, negotiated with the troika.

Although there were some tenuous signs of a turnaround in the economic cycle, in the second half of the year, encouraged by the buoyancy of exports and domestic demand, which contributed to the slowdown in the pace of GDP contraction, not having surpassed -1.4% in 2013, which is less than half of the contraction registered in 2012 (-3.2%), the reduction of disposable income over the last few years and the high levels of unemployment (exceeding 15%) indicate that it will be some time before those signs materialise into favourable impacts on the financial conditions of companies and households and, in turn, on the financial sector.

In terms of financial markets, there were also some signs of improving investor sentiment relative to the eurozone's peripheral countries, including Portugal, following the budgetary adjustment developments and the improvement of the outlook relative to the recovery of economic activity, as evidenced by the decrease in the spreads of public and private debt securities. Nonetheless, Euribor rates, to which banking operations in general are indexed, remained at historically low levels, within the framework of a 50 basis points decrease in the European Central Bank's reference rate over the course of 2013 (from 0.75% to 0.25%).

A significant number of changes to the regulatory framework in 2013, which had a strong impact on the banking system, is also likely to have contributed to the improvement of investors' expectations. Emphasis is given to the agreement reached at the European Council on the construction of the European Banking Union (EBU), which should provide for a new architecture, a new functioning and the deepening of the Economic and Monetary Union. The Single Supervisory Mechanism for banking institutions, which is due to enter into force during the current year, the Single Resolution Mechanism, also already agreed to, and the Single Deposit Guarantee System constitute the three building blocks of the EBU.

On 26 June 2013, the new package of regulatory changes related to capital and prudential requirements, known as «Basel III» (Regulation No. 575/2013 and Directive 2013/36/EU), was also published, which sets out a substantial reform of the prudential requirements, namely regarding the minimum level of own funds and their rules of calculation, applicable from January 2014 (Notice No. 6/2013 of Banco de Portugal), as well as other prudential requirements and of maintenance of own funds to be implemented, in a phased manner, until 2019.

These changes reveal the emergence of a new paradigm in the banking system, which combines the challenges within a context of risks and uncertainties, with extensive regulatory and supervisory reforms and changes, with continuous technological changes, which will involve adjustments to business and management models.

The early awareness of the change in paradigm has been essential to enable the challenges to be addressed adequately, such that, at an internal level, 2013 was also a year of major changes for CEMG.

With the entry into force of the new articles of association, it was possible to implement two strategic measures of critical importance for the institution. A new governance model was implemented, more similar to the two-tier model, with the separation and autonomisation of the own governance bodies of CEMG relative to those of Montepio Geral Associação Mutualista, enabling a more focused and specialised management and supervision, compatible with the larger dimension and diversification of activities of both institutions.

In addition to this major reform, 200 million euros of Units of the Participation Fund were launched and issued, which had been planned for decades, but which was only undertaken at the end of 2013, following the necessary and suitable preparations. The placement of the Units of the fund achieved a remarkable success, reflecting the good reputation of the institution and its capacity to attract investment and create conditions for further development. The ability of CEMG to overcome challenges and to find, by its own means, capitalisation solutions, involving an outstanding effort and work in terms of foresight, planning, commitment and achievement, was once again demonstrated.

The ability to overcome challenges was also evidenced in the levels of activity and market penetration achieved, in 2013, by CEMG and its group of institutions, which continued to work wholeheartedly to strengthen the Group's competitiveness and contribute to the economic recovery of the country, with a focus on the promotion of savings, providing support to the productive sector, and consolidating closer relations and partnerships with households and companies.

Special reference should be made to the levels of growth obtained, in 2013, in customer deposits (7.1%) and loans to companies in various non-construction sectors of activity (9.1%), enabling market share gains in deposits (+0.31 percentage points) and in corporate loans (+0.30 percentage points).

The reinforcement of the market position, the good reputation, the improvement in service quality and the deepening of relations with customers were evident in the various prizes that were awarded to the institution in 2013, testifying to the recognition of the work that has been undertaken.

The emphasis on the distinctive and unique characteristics of CEMG, as a credit institution with mutualist values and goals, has resulted in closer ties to the social economy and greater support to entrepreneurship, as well as the implementation of various social responsibility initiatives, in articulation with the other entities of the Montepio Group, with a view to contributing towards financial stability, economic recovery and sustainable development, resulting in a more inclusive and balanced society.

The business model diversification strategy and a better identification of the various institutions of the Group with the brand and its values, as in the case of Montepio Crédito (former Finicrédito, S.A.), Montepio Investimento (former Finibanco, S.A.) and Montepio Valor (former Finivalor, S.A.), assisted by the contribution of the international activity of Finibanco Angola, S.A., have been essential in the increase in the levels of activity and performance obtained.

In 2013, CEMG, similarly to the other seven largest banking groups, continued to be covered by the liquidity and solvency reinforcement targets of the Funding & Capital Plan (FCP) imposed by the authorities since June 2011, within the framework of the PAEF. CEMG has been complying with the targets of its FCP, presenting leverage, stable funding, liquidity and solvency indicators above required levels, revealing a robust solvency situation, which the capital ratios, namely Core Tier 1, reflect, and a comfortable liquidity situation.

Notwithstanding, in addition to the impacts of deleveraging, inherent to the FCP and the crisis situation of the country, and the persistence of a framework of very low interest rates, there were the impacts of the extraordinary measures of Banco de Portugal involving transversal inspections of the provisions and impairments of the credit portfolios of the eight largest banking groups, including the CEMG, which resulted in a very significant reinforcement of provisions and impairments in order to accommodate credit risks and create the necessary reserves should they materialise. This reinforcement was reflected in the 2013 accounts of the institutions, having penalised their results and profitability.

As I am writing this message, new and more encouraging forecasts have been released relative to the growth of the Portuguese economy and we also have data available on the first quarter of 2014 which, although provisional, allows us to foresee an improvement and look forward to positive results in the 2014 financial year, reflecting the existing potential to create value in the CEMG group.

In spite of the progress that we have made and all the hard work we have accomplished, we are aware that much remains to be done, to continue to reinforce CEMG's inherent capacity for resilience, allowing new adverse shocks to be accommodated and to find appropriate responses to the wide-ranging needs within a context that is as challenging as it is uncertain, enabling us to get back on a path of value creation and to construct a new paradigm of the financial system.

I should like to conclude by expressing my acknowledgement and appreciation for the various stakeholders of the CEMG Group, namely the customers and associates of Montepio, for their loyalty and preference with which they honour us, the employees of the Group, for their dedication and professionalism with which they perform their missions, the various entities and authorities, for their spirit of cooperation and mutual help, as well as all the members of the governance bodies of the various institutions that compose the CEMG Group, for their constructive spirit of institutional cooperation and solidarity.

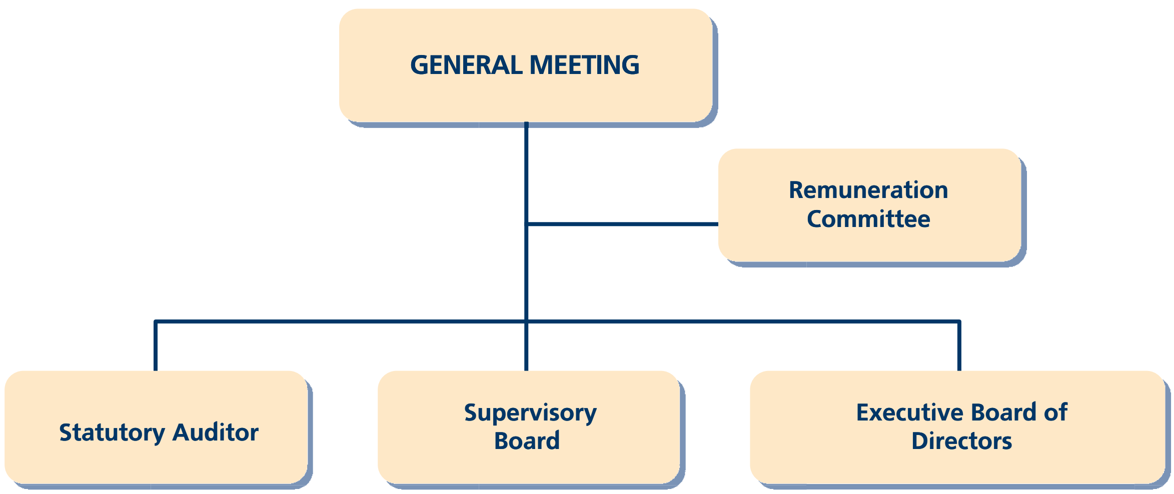
Governing Bodies

On 14 January 2013, the new articles of association of Caixa Económica Montepio Geral (hereinafter referred to as «CEMG»), approved in October 2012, entered into force, which led to significant changes to its governance structure.

From that date onwards, CEMG acquired its own autonomous governing bodies, administered separately from the MGAM, contrary to what had occurred up until that time. However, the identity of annexation of CEMG and the inherent coordination and connection of strategic management principles between the two institutions have been maintained. The year of 2013 thus marks the beginning of the functioning of a new management and supervisory model of the Montepio Group, concurrently with the first year of the mandate of the MGAM bodies elected for the three-year period 2013-2015.

The governance structure of Caixa is composed of the General Meeting, the General and Supervisory Board, the Executive Board of Directors, the Remuneration Committee and the Statutory Auditor.

STRUCTURE OF CEMG'S GOVERNING BODIES



The way in which the management and supervision of CEMG is conducted is described in the Governance Report for 2013, annexed to this Report.

INSTITUTIONAL BODIES FOR THE THREE-YEAR PERIOD 2013 – 2015

BOARD OF THE GENERAL MEETING

Chairman	VITOR JOSÉ MELÍCIAS LOPES *Lawyer*
1st Secretary	ANTÓNIO DIAS SEQUEIRA *Economist*
2nd Secretary	MARIA LEONOR LOUREIRO GONÇALVES DE OLIVEIRA GUIMARÃES *Lawyer*
Alternate	ANTÓNIO MIGUEL LINO PEREIRA GAIO *Lawyer*

GENERAL AND SUPERVISORY BOARD

Chairman	JOSÉ DE ALMEIDA SERRA *Economist*
	VITOR JOSÉ MELÍCIAS LOPES *Lawyer*
	EDUARDO JOSÉ DA SILVA FARINHA *Economist*
	ÁLVARO CORDEIRO DÂMASO *Lawyer*
	CARLOS VICENTE MORAIS BEATO *Manager*
	ÁLVARO JOÃO DUARTE PINTO CORREIA *Civil engineer*
	GABRIEL JOSÉ DOS SANTOS FERNANDES *Economist*
	LUISA MARIA XAVIER MACHADO *Manager*
	MARIA MANUELA DA SILVA *Economist*
	ANTÓNIO GONÇALVES RIBEIRO *General*
	EUGÉNIO ÓSCAR GARCIA ROSA *Economist*

EXECUTIVE BOARD OF DIRECTORS

Chairman	ANTÓNIO TOMÁS CORREIA *Lawyer*
Voting Members	JORGE HUMBERTO BARROS LUÍS *Economist*
	PEDRO MIGUEL DE ALMEIDA ALVES RIBEIRO *Economist*
	FERNANDO PAULO PEREIRA MAGALHÃES *Economist*

REMUNERATION COMMITTEE

Chairman	LUÍS EDUARDO BARBOSA *Economist*
	JOSÉ EDUARDO FRAGOSO TAVARES DE BETTENCOURT *Economist*
	JOSÉ CARLOS PEREIRA LILAIA *Economist*

STATUTORY AUDITOR

KPMG represented by Jean-éric Gaign
Statutory Auditor no. 1013

Executive Board of Directors

Pedro Miguel de Almeida Alves Ribeiro, Jorge Humberto Cruz Barros Luís, António Tomás Correia (Chairman), Fernando Paulo Pereira Magalhães


Caixa
Económica
Montepio Geral

Key Indicators
(Consolidated Accounts)

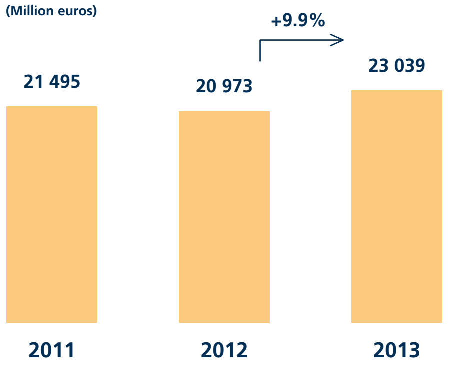
(thousand euros)

INDICATORS	2011	2012	2013
ACTIVITY AND RESULTS			
Net Assets	21 495 390	20 972 731	**23 039 203**
Gross Credit to Customers	17 669 360	16 806 449	**16 556 907**
Customer Resources on the Balance Sheet	14 498 545	15 170 652	**16 310 031**
Total Deposits	*13 608 555*	*13 103 506*	***14 039 197***
Securities Placed with Customers	*889 990*	*2 067 146*	***2 270 834***
Net Income	45 029	2 099	**-298 626**
LEVERAGE AND LIQUIDITY			
Stable Funding Ratio (a)	100.00%	100.00%	**100.00%**
Total Net Credit to Customers / Customer Deposits (b)	124.04%	120.50%	**110.18%**
Total Net Credit to Customers / Customer Resources on the Balance Sheet (c)	116.47%	104.14%	**94.70%**
Assets Eligible for Refinancing Operations with the ECB	2 991 055	3 139 482	**5 783 695**
CREDIT RISK AND COVERAGE FOR IMPAIRMENTS			
Ratio of Credit and Interest Overdue for more than 90 days	3.93%	4.94%	**5.30%**
Non Performing Loans Ratio (b)	5.02%	6.32%	**7.12%**
Net Non Performing Loans Ratio (b)	0.64%	0.82%	**0.84%**
Coverage of Credit and Interest Overdue for more than 90 days	111.04%	111.00%	**119.85%**
Credit-at-Risk Ratio (b)	7.82%	10.95%	**12.25%**
Net Credit-at-Risk Ratio (b)	3.57%	5.72%	**6.32%**
Credit-at-Risk Coverage Ratio	54.79%	50.68%	**51.70%**
Restructured Credit as a % of Total Credit (d)	4.24%	6.48%	**9.68%**
Restructured Credit not included in Credit Risk as a % of Total Credit (d)	4.09%	5.18%	**7.30%**
EFFICIENCY AND PROFITABILITY			
Net Operating Income / Average Net Assets (b)	2.65%	2.05%	**1.76%**
Income before Taxes and Minority Interests / Average Net Assets (b)	0.15%	-0.80%	**-1.73%**
Income before Taxes and Minority Interests / Average Equity (b)	2.81%	-11.56%	**-18.99%**
Net Income for the Year / Average Net Assets (ROA)	0.21%	0.01%	**-1.39%**
Net Income for the Year / Average Equity (ROE)	3.87%	0.14%	**-15.23%**
Operating Costs / Net Operating Income (cost to income) (b)	66.07%	83.64%	**90.05%**
Personnel Costs / Net Operating Income (b)	40.34%	45.79%	**52.12%**
SOLVENCY (b)			
Solvency Ratio	13.56%	13.58%	**13.03%**
Tier 1 Ratio	10.21%	10.59%	**10.99%**
Core Tier 1 Ratio	10.21%	10.62%	**11.01%**
DISTRIBUTION NETWORK AND EMPLOYEES (Units)			
Total Number of Employees (CEMG Group)	4 294	4 223	**4 213**
CEMG			
Employees	4 016	3 947	**3 903**
Branches	499	458	**456**
Employees / Branches	8.0	8.6	**8.6**
International Branch Network – Angola	8	9	**13**
Representation Offices	6	6	**6**

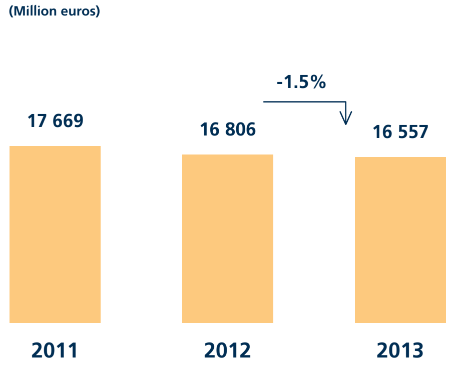
(a) Total Sources of Funding, including Equity / Net Asset.
(b) Pursuant to «Banco de Portugal» Instruction 23/2012.
(c) Customer Resources = Customer Deposits and Securities Placed with Customers.
(d) Pursuant to «Banco de Portugal» Instruction 32/201.

EVOLUTION OF MAIN INDICATORS

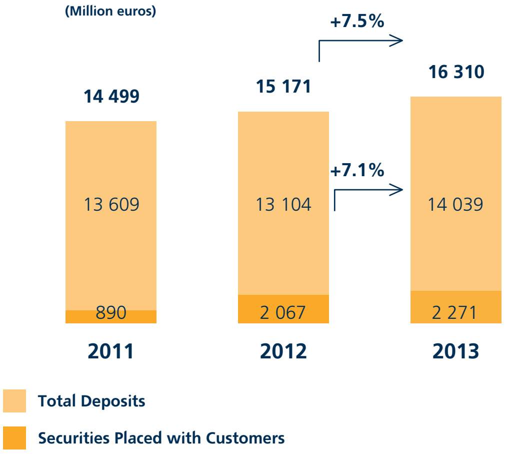
NET ASSETS



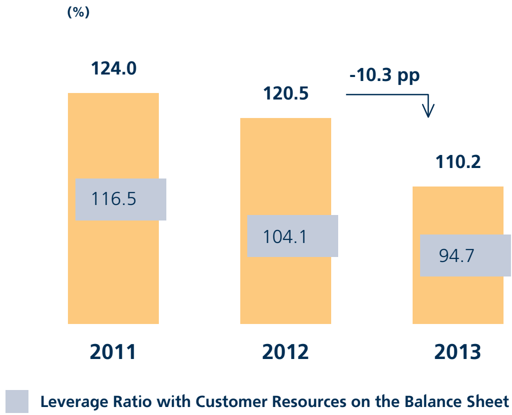
CREDIT TO CUSTOMERS – GROSS



CUSTOMER RESOURCES ON THE BALANCE SHEET

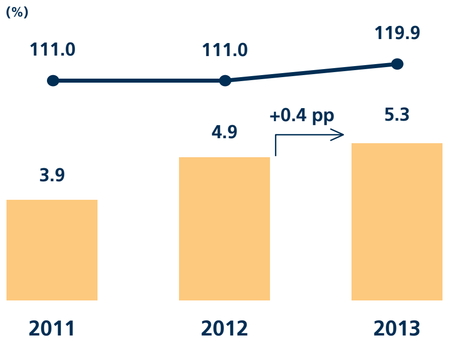


LEVERAGE RATIO *

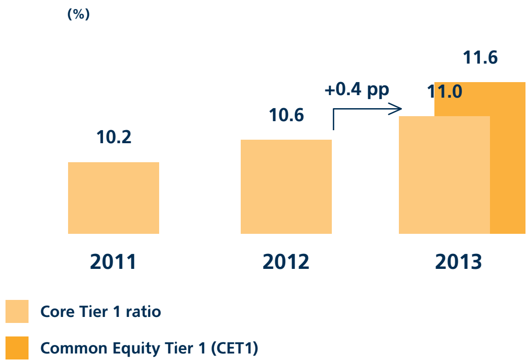


* According to rule 23/2012 from the Bank of Portugal.

CREDIT AND INTEREST RATIO OVERDUE FOR MORE THAN 90 DAYS AND COVERAGE BY IMPAIRMENTS



SOLVENCY

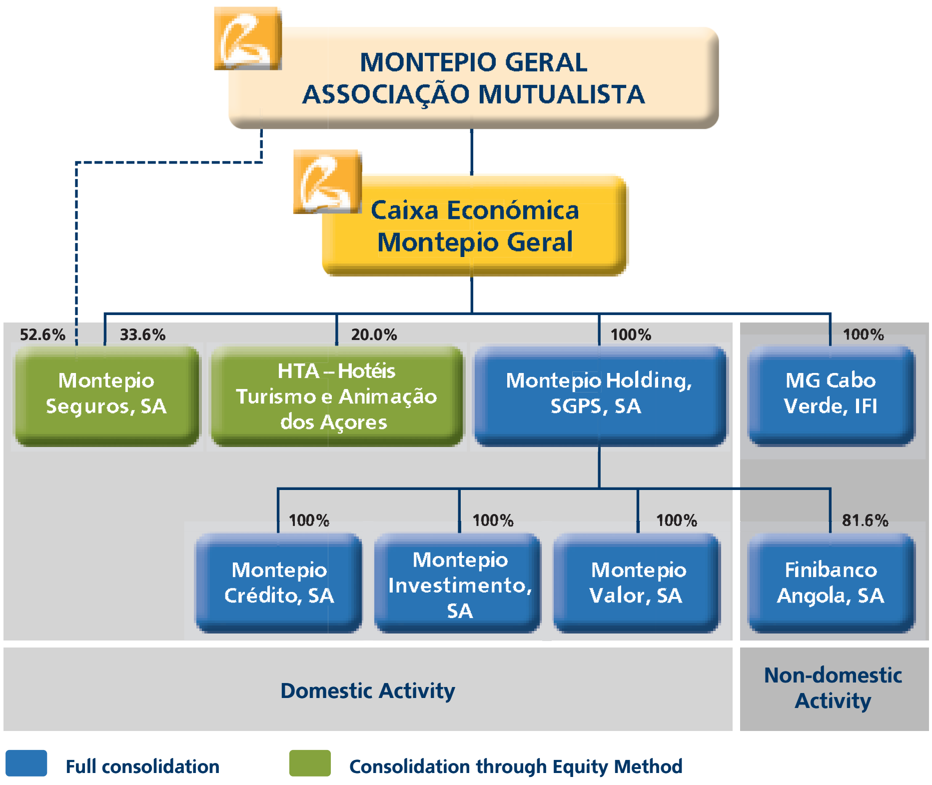


1. The Caixa Económica Montepio Geral Group

1.1. GROUP STRUCTURE

This report presents the individual and consolidated accounts and performance of CEMG, which includes the set of institutions in which Caixa Económica Montepio Geral holds majority holdings and has management control and which constitute the CEMG Group. These entities offer a broad and diversified range of banking and financial products and services and contribute with their earnings to the mutualist goals, complying with high ethical standards and social sustainability principles, given that the CEMG Group is integrated in the Montepio Group, owned by Montepio Geral Associação Mutualista.

The CEMG Group presents itself as one of the most differentiated banking and financial groups of the national and European financial sector given its mutualist origins, nature and goals, which give it unique characteristics and an unmatched position in its sector and in Portuguese society.



With the total integration of the entities of the former Finibanco Holding, SGPS, SA into the Montepio Group, its company name was changed to Montepio Holding SGPS, SA. Montepio Holding, SGPS SA is a holding company with 100% stakes in Montepio Investimento, Montepio Crédito and Montepio Valor and 81.6% of Finibanco Angola.

The perimeter of consolidation of the accounts of CEMG also includes the accounts of the following entities:

- Credit Securitisation Vehicles Pelican Mortgages no.1 and no. 2 (Full Consolidation);
- Real Estate Investment Funds (Full Consolidation):
  - Montepio Arrendamento – Residential Rental Real Estate Investment Funds;
  - Polaris – Closed Real Estate Investment Fund;
  - Finipredial – Open Real Estate Investment Fund;
  - Portugal Estates Fund – Closed Real Estate Investment Fund.

1.2. MONTEPIO BRAND

In 2013, efforts continued towards the reinforcement of the positioning of Montepio as a differentiated brand in the national financial and banking market, representing the Social Economy, as well as the values of mutualist associativism, solidarity and humanism.

Defending these values and a transparent, rigorous, solid and competent action, as well as an offer and a service focused on the satisfaction of associates and customers' growing and diversified needs, has contributed to their advocation and participation in the construction of this positioning in favour of the brand.

In 2013, the Montepio brand continued to be recognised for its financial solidity, service quality, customer satisfaction and excellent work undertaken in the market.

AMONG THE 1 000 BEST BANKS IN THE WORLD

For the first time, the magazine The Banker, a publication of reference in the banking sector of the Financial Times Group, ranked Caixa Económica Montepio Geral in the 402nd position, in its 2013 edition of the Top 1 000 World Banks. This ranking, considered the standard measure of the strength and performance of banking institutions, is based on an assessment of financial strength based on the Core Tier 1 solvency ratio. Montepio achieved the 9th highest entry in this ranking.

«BRAND OF EXCELLENCE»

For the fifth consecutive year, the Montepio brand was considered a «Brand of Excellence» by Superbrands, an independent international organisation dedicated to the identification and promotion of brands of excellence in 88 countries. This distinction is based on the opinion of Portuguese consumers and on the Superbrands Board made up of specialists in the Marketing and Communication areas. The award highlighted the values of «Protection», «Proximity», «Friendliness», «Responsibility», «Competence», «Security» and «Stability».

LEADER IN SATISFACTION

Montepio led the CSI-Banca Marktest 2013 ranking, Customer Satisfaction Index, having positioned itself in first place in both waves published in 2013, with 77.6 pontos and 77.7 points in the 1st and 2nd waves, respectively, in which the average of the sector came to 74.2 point (1st wave) and 73.8 points (2nd wave). The conquest of the first position in the Customer satisfaction indices in the «Banking Channel» and the «Banking Internet Channel» contributed to the leadership of Montepio in this ranking.

BEST TELEPHONE AND HOMEBANKING SERVICE QUALITY

With regards to the complementary channels, the Montepio brand continues to conquer the market in 2013 and receive distinctions which have placed it among the best. For the second consecutive year, the Telephone Services of Montepio were awarded, by IFE – International Faculty of Executives and by Call Center Magazine Online, with the Call Centre Trophy for Best Telephone Service Quality. The following criteria were considered in the assessment of the distinction of the competing telephone services: «Availability», «Solution in a single call», «Knowledge and Professionalism of the Contact Manager», «Fluency» and «Manners and Politeness», among others.

In addition, CEMG's Contact Centre was internationally distinguished with the «Best Contact Centre 2013 – Top Ranking Performers» award in the EMEA region (Europe, Middle East and Africa), attributed by the Global Association for Contact Centre Best Practices & Networking.

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

EFFECTIVENESS AND EXCELLENCE OF COMMUNICATION

The campaign developed around the launch of the Star Wars cards was distinguished with the Gold Award at the Gala of the Communication Effectiveness Awards 2013 – «Financial Services and Insurance» category.

The project developed in the Institutional Communication area, namely the Montepio magazine, was distinguished and awarded in two national competitions – APCE 2013 Grand Prix – Excellence in Communication and Communication Awards of the Meios & Publicidade Magazine.

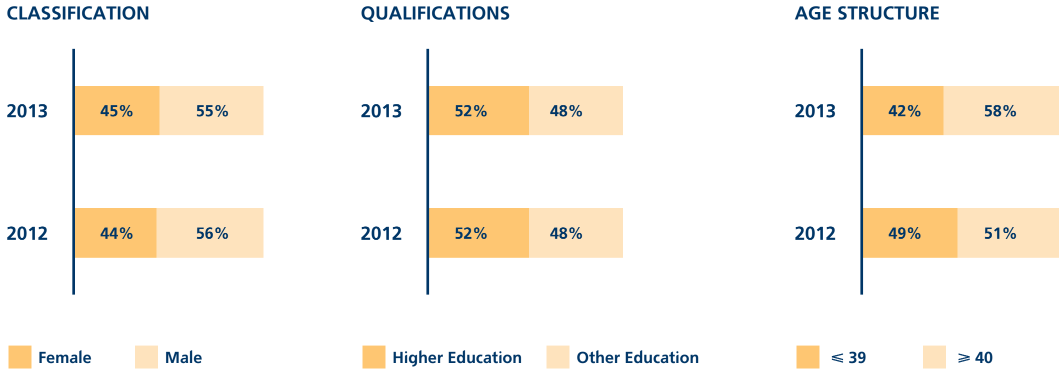
1.3. HUMAN RESOURCES

As at 31 December 2013, the Group of entities whose accounts are fully consolidated with those of CEMG had 4 213 employees, of which 3 903 (92.6%) belonged to Caixa Económica.

EMPLOYEES	2012	2013	Variation		Weight
			No.	%	
Total for CEMG Group	**4 223**	**4 213**	**-10**	**-0.2**	**100.0%**
Caixa Económica	3 947	3 903	-44	-1.1	92.6%
MG Cabo Verde	–	3	3	–	0.1%
Montepio Holding, of which:	276	307	31	11.2	7.3%
Finibanco Angola	126	159	33	26.2	3.8%
Montepio Crédito	135	132	-3	-2.2	3.1%
Montepio Valor	15	16	1	6.7	0.4%

In 2013, there was a slight decline in total staff of 10 employees, as a result of the variation in the staff of Caixa Económica, which registered 21 admissions and 65 departures, mainly arising from retirement processes.

DISTRIBUTION OF CEMG EMPLOYEES



In terms of gender distribution, males continue to dominate (55%), in spite of a slight increase in females.

The number of employees with higher education qualifications, which includes employees with bachelor, licentiate, master's, post-graduate and doctoral degrees, remained at 52%.

In terms of age structure, there was a slight increase in the percentage of employees over 40 years of age (from 51% to 58%), in line with the decrease in the total number of employees.

Continuing the implemented human resources development policy, in 2013 there was a very significant increase in the number of training actions (+48%), as well as in the total number of hours attended (+44) and number of participations, which more than doubled. The number of participants covered by these training actions came to 3 818, representing 98% of the universe of employees of Caixa Económica.

EDUCATION AND VALORISATION OF EMPLOYEES (CEMG)

	2012	2013	Variation
Nr. of Training Actions	216	320	48.1%
Nr. of Training Hours	71 156	102 192	43.6%
Nr. of Participants	3 678	3 818	3.8%
Nr. of Attendances	10 845	22 333	105.9%
Training Investment (thousand euros)	202	242	19.8%
Employees covered by education	93%	98%	

Priority continued to be given to the construction of contents in-house and e-learning, combined with training through attendance on dissemination in cascade. The main training topics focused on risk management, credit management and recovery, offer of products and services, prevention of money laundering, mutualism, social responsibility and health and safety at work. Post-graduate training directed at senior staff and employees with potential is also noteworthy.

1.4. DISTRIBUTION NETWORK AND RELATIONS

BRANCHES

Following the process of analysis and reorganisation of the domestic distribution network undertaken in 2011 and 2012, arising from the integration of the former Finibanco branch network, 2013 was a year of stabilisation of the network which, at the end of the year, comprised 456 branches all over the country (continent and islands), responding to market requirements and to the maximisation of proximity to associates and customers.

In 2013, CEMG opened a branch in Peniche, thus addressing its absence in this municipality, with the objective of attracting new associates and customers and to provide a better service in this geographic area. In contrast, 3 branches were closed, distributed among the districts of Porto, Lisbon and Faro.

The international presence of Montepio was reinforced, with the Finibanco Angola branch network increasing from 9 to 13 branches, at the end of 2013. Finibanco Angola also opened a new corporate centre in 2013, closing the year with two centres. The international presence is also complemented by 6 Representation Offices in the main Portuguese communities residing overseas and by the International Financial Institution – Montepio Geral Cabo Verde.

NO. OF DOMESTIC BRANCHES AND INTERNATIONAL PRESENCE

	2012	2013
Domestic Branch Network	458	456
International Branch Network – Angola	9	13
Representation Offices	6	6

CUSTOMER MANAGERS

The year of 2013 was a year of consolidation of the operation of the distribution channels and specialised relations, following the promotion and growth stage in 2012. The number of corporate customer managers reached 282 in 2013, whilst individual customer managers reached 192, as a result of the reinforcement of the Premium network, which requires a relationship of greater proximity, which reached 182 managers.

In the corporate segment, and continuing to enhance the level of specialisation of the service, Montepio made available 204 dedicated small business managers and 72 dedicated company managers.

For the third sector, the specialised commercial structure includes 14 managers dedicated to the Social Economy Sector.

NO. OF CORPORATE CUSTOMER MANAGERS

	2011	2012	2013
Companies	**185**	**286**	**282**
Institutionals	2	6	6
Large Companies	7	8	9
Small and Medium Companies	58	58	63
Small Business	118	214	204
Private customers	**182**	**189**	**192**
Top Premium	7	10	10
Premium	175	179	182
Third Sector	**10**	**12**	**14**
TOTAL MANAGERS	**377**	**487**	**488**

PROMOTERS

In 2013, the strong focus on the Assurfinance channel continued, based on a relationship of proximity with Lusitânia Companhia de Seguros, SA and its network of mediators, having registered a 39% growth in the portfolio of promoters and an increase in the number of customers stemming from this channel of 188%.

Focused on the development of the best partnerships, the network of Commercial Promoters, which includes 919 external promoters, has been a channel that has widely promoted the CEMG Group, extending its intervention capacity among potential customers.

The year of 2013 confirmed the importance of the use of this network by the commercial areas, with a 14.5% increase in business volumes obtained through said network.

ELECTRONIC CHANNELS

In 2013, the Montepio24 Service, a multichannel platform that includes the Net24, Phone24, Netmóvel24 and Sms24 channels, registered a 6% increase in customer subscriptions relative to 2012, with 595 thousand users of the Individuals segment (5% increase) and 78 thousand Companies users (12% increase).

The Montepio public website, available at www.montepio.pt, also registered a significant increase in the number of accesses, consolidating its position as the main point of contact with the offer of products and services, with a monthly average of more than 3.5 million visits and 16 million page views.

Within the scope of the ATM – Automated Teller Machine service, the global network of Sociedade Interbancária de Serviços (SIBS) registered a decline in the number of machines available in the market, from 13 400 (in January) to 12 963 (at the end of December), over the course of 2013. Montepio contributed to this reduction with the withdrawal of only 18 ATMs (4%), such that it registered an increase in market share from 8.46% to 8.61%.

At the end of 2013, Montepio's total number of ATMs comprised 1 116 machines, 513 installed in branches and 603 available at external locations, with emphasis on the reinforcement of the Montepio brand with the launch of a new decoration for ATMs in large commercial spaces.

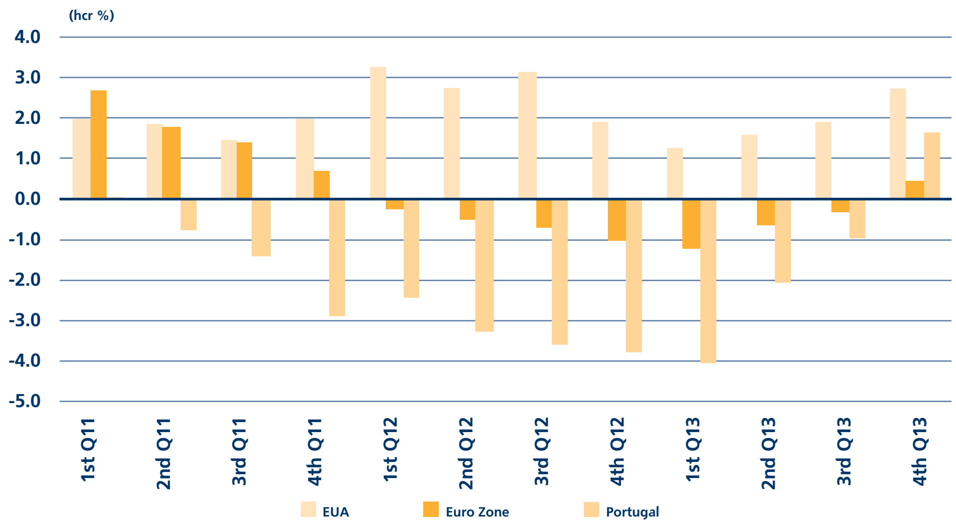
With regard to the own internal ATM network – Chave 24, the total number of ATMs remained stable, with a total of 378 machines installed, which contributes directly to the externalisation of operations of a transactional nature, freeing the commercial teams of the branches for the activity of customer service and relations.

2. Macroeconomic Overview

The macroeconomic situation in 2013 was characterised by a slight slowdown of the global economy, which is into its third consecutive year, with the International Monetary Fund (IMF) estimating an expansion of only 3.0% (+3.2% in 2012). This deceleration in economic growth over the last two years (+4.5% in 2010/2011) was caused by the deleveraging of the private sector in developed economies, restrictive budgetary policies, impasse in the resolution of the sovereign debt crisis in the euro zone, uncertainty in relation to the negotiations in the American Congress regarding the limits on State indebtedness and the slowdown in growth of some of the main emerging economies in 2013. Some of these emerging economies (e.g. India, Brazil and Russia), in addition to the weak economic performance, also faced strong inflationary pressures, which led their central banks to raise the reference rates (India and Brazil) or postpone cuts.

The IMF estimates that, after several years of weak growth, the developed economies have finally reached a turning point, contributing to the projected acceleration in global growth of 3.0% in 2013, 3.6% this year and 3.9% in 2015.

GROSS DOMESTIC PRODUCT (GDP) GROWTH



Source: *Thomson Reuters*

The largest share of the acceleration – but not of growth – should come from the developed countries, as the abovementioned effects dissipate. Growth in developed countries is expected to increase from just 1.3% in 2013 to 2.2% in 2014 and 2.3% in 2015. This acceleration marks a significant shift from the years between the Great Recession and 2013, when developing countries pulled the global economy forward. In addition to providing a direct basis for global growth, stronger demand in developed countries will support the exports of developing countries. These effects should help to offset the inevitable tightening of global financial conditions that will emerge with the gradual normalisation of monetary policy in developed countries.

UNITED STATES OF AMERICA

The annual growth of the largest economy in the world came to 1.9% in 2013, which represents a deceleration relative to 2012 (+2.8%), but nonetheless noteworthy within the context of budgetary tightening, based on increased taxes and the end of some tax benefits, as well as cuts in public expenditure as of the 2nd quarter. One of the reasons for the stronger resilience of the economy in an adverse international context is linked to the recrudescence of real estate activity, with the rise of the price of houses being determinant for the recovery of the wealth of consumers, also supported by the appreciation of shares; factors which together with the reduction of unemployment and slowdown of inflation boosted the confidence of consumers in the 2nd and 3rd quarter to record highs since the end of 2007. At the beginning of October, confidence was conditioned by the uncertainty relative to the approval of the federal budget for 2013/2014 and the possibility of the country reaching the maximum legal level of indebtedness (negotiations between Democrats and Republicans were extended until 16 October, and as a result, since the beginning of the month until that time, part of the federal public services were closed).

In spite of the fall in the **unemployment rate** from 7.9% at the end of 2012 to 6.7% in December 2013 (a minimum since October 2008), it remained above the 4.7% recorded in November 2007, the last month of the previous period of expansion of the economy. In order to improve conditions in the labour market, the Fed has pursued an extremely accomodative monetary policy, with the withdrawal of stimulus to the economy beginning at the December meeting (and continuing at the meetings of January and March 2014), according to the objectives achieved with the reduction of the unemployment rate, in spite of the private consumption deflator continuing to grow at a lower rate than the current objective of the Fed.

EURO ZONE

The euro zone economy started to recover from the 2nd quarter onwards, but was unable to avoid an annual fall in **GDP**, which came to -0.4%, as a result of the effects of the budgetary consolidation measures implemented by a significant part of the Member States, namely in larger countries, such as Italy and Spain, following the sovereign debt crisis in the region. The decline in domestic demand was reflected in a lower level of investment, following the consolidation measures adopted and the weak expectations of entrepreneurs. Although the decline in economic activity in 2013 was lower than in 2012 (GDP contracted -0.7% in 2012), it was the second annual consecutive decline in activity, following two years of some growth (+1.6% in 2011 and +2.0% in 2010) which had not permitted to fully recover from the contraction registered during the previous recession (-4.4% in 2009). At the end of 2013, GDP in the euro zone was 2.7% below the levels reached before the Great Recession of 2008/2009, which are not expected to be surpassed before 2015.

Reflecting economic difficulties, the unemployment rate remained almost unchanged in 2013, having risen 11.8% in December 2012 to 11.9% from October to December 2013, and from February to September 2013 it reached an historical maximum of 12.0%.

In a context of annual contraction of economic activity, the annual **inflation rate** registered a decline over the course of the year, from 2.2% at the end of 2012 to 0.8% in December a 2013. Over the course of 2013, inflation remained below the 2.0% (ECB's target inflation level) barrier, after having remained persistently above this level since December 2010.

ECONOMIC ESTIMATES AND FORECASTS FOR PORTUGAL AND THE EURO ZONE

(unit: %)

	2013						2014				2015			
	Portugal			Euro Zone			Portugal		Euro Zone		Portugal		Euro Zone	
	Eff.	BdP	CE	Eff.	BCE	CE	BdP	CE	BCE	CE	BdP	CE	BCE	CE
GDP	**-1.4**	**-1.4**	**-1.6**	**-0.4**	**-0.4**	**-0.4**	**1.2**	**0.8**	**1.2**	**1.2**	**1.4**	**1.5**	**1.5**	**1.8**
Private Consumption	-1.7	-1.7	-1.8	-0.7	-0.6	-0.7	1.3	0.1	0.7	0.7	1.1	0.8	1.2	1.4
Public Consumption	-1.7	-1.7	-2.0	0.2	0.2	0.3	-0.9	-2.5	0.4	0.4	-0.5	-1.9	0.4	0.7
Investment (FBCF)	-6.6	-6.6	-8.0	-3.0	-2.9	-3.0	1.8	1.2	2.1	2.3	4.4	3.7	2.7	3.6
Exports	6.1	6.1	5.8	1.3	1.1	1.3	5.3	5.0	3.6	4.2	5.1	5.3	4.7	5.7
Imports	2.8	2.8	2.6	0.1	0.0	0.2	5.4	3.0	3.5	4.1	4.7	3.8	4.7	5.9
Inflation	**0.4**	**0.4**	**0.4**	**1.3**	**1.4**	**1.3**	**0.5**	**0.8**	**1.0**	**1.0**	**1.0**	**1.2**	**1.3**	**1.3**
Unemployment rate	**16.3**	**–**	**16.5**	**12.1**	**12.1**	**12.1**	**–**	**16.8**	**11.9**	**12.0**	**–**	**16.5**	**11.7**	**11.7**

Source: Bank of Portugal (BdP), March 26, 2014; European Commission (CE), February 25, 2014 and European Central Bank (BCE), March 6, 2014.

Notes: «Eff.» corresponds to the effective data already published for 2013; inflation is measured by a year-on-year variation of IPCH.

This inflationary behaviour justified an even more accommodative monetary policy by the ECB,, in a context in which the economy continues to operate below potential and risks to financial stability persist. As a result, the ECB cut the reference interest rate (the refi rate) by a total of 0.5 p.p. (between May and November), to 0.25%, renewing historical lows and committing itself to maintaining low rates during an extended period of time. Regarding unconventional measures, the ECB decided, namely, to extend from July 2013 to at least July 2015, the period of unlimited injection of liquidity into the banking system through its main refunding operations (OPRs), as well as launch 3-month long term refinancing operations (LTROs), to be allocated until the end of the 2nd quarter of 2015, and conducted as fixed rate tender procedures with full allotment.

PORTUGAL

At the start of the year, the economy continued the recession that had dragged on since the end of 2010, with GDP contracting 0.3% quarter-on-quarter in the 1st quarter, to minimum levels since the 2nd quarter of 2000. However, it returned to growth in the 2nd quarter, with a significant increase of 1.1% (which was the highest registered since the 1st quarter of 2007, of +1.5%), which was confirmed in the 3rd quarter (+0.3%) and put an end to a recession that lasted 10 quarters. The announcement, in mid-October, of an increase in austerity within the scope of the SB Proposal for 2014 is likely to have conditioned the economy in the final quarter of the year. Nonetheless, higher quarter-on-quarter growth (+0.6%) was registered, with a positive contribution from net exports combined with the growth of domestic demand. In 2013, GDP therefore registered an estimated annual decline of 1.4%, less than half of that observed in 2012 (-3.2%), but the 3rd consecutive decline and at minimum levels since 2000, with economic activity being supported by net exports – the best aspect of the economic adjustment underway –, but strongly penalised by domestic demand (mainly in terms of investment, but also private and public consumption), which continued to be undermined by the austerity measures underway in the country. On the whole, the various international organisations anticipate a return to annual growth in 2014, with the impact of the new budgetary consolidation measures expected to be offset by the acceleration of domestic demand over the course of the year.

Economic and Financial Assistance Programme

In 2013, the country continued its implementation of the Economic and Financial Assistance Programme (PAEF) agreed with the troika (ECB, IMF and EC – European Commission), which implied the adoption of a vast series of budget consolidation measures in the State Budget for 2013, and which represented an enormous increase of the tax burden, namely concerning personal income tax; in addition to, in an amending budget, cuts in expenditure and measures to reform the State with implications for civil servants and pensioners in particular.

Regarding the execution of the PAEF, the results of the 11th assessment indicate that the programme continues to be broadly implemented in line with expectations, classifying the results achieved to date as positive, with the authorities recognising additional signs of economic recovery, further underlining that the market sentiment relative to Portuguese sovereign debt has improved and arguing that this was evidenced by the strong demand that generated the debt exchange operation undertaken at the beginning of December to reduce the financing needs for 2014. It should be noted that, in January 2014, there was strong demand for a 5-year syndicated loan issue and for a short term debt issue, and in February strong demand for a 10-year debt issue was also registered.

The difficult funding conditions of the Portuguese Republic over the last few years have extended to the banking sector, which has led to a forced increase in household savings, in addition to the preponderant savings for precautionary reasons. As a result, there has been an increase in the savings rate (from 9.7% in 2011 to 12.0% in 2012), having reached 12.6% in 2013.

In 2013, the unemployment rate initiated a downward trend, reflecting the gradual recovery of economic activity, falling from 16.9% in the 4th quarter of 2012 to 15.3% in the 4th quarter of 2013, although, in average terms, 2013 still registered a higher average rate than that of the previous year reaching 16.3% (15.7% in 2012). The peak of the unemployment rate is likely to have been reached in the 1st quarter of 2013 (16.9%), with the annual average unemployment rate expected to decline in 2014.

With regards to the budgetary adjustment, according to the report of INE to the Eurostat within the scope of the first notification of 2014 relative to the Excessive Deficit Procedure, the budget deficit came to 4.9% of GDP (which includes the state support to the national banking sector), below the target of 5.5% defined with the troika and which compares to the 5.9% that was forecast in the SB for 2014. This positive evolution benefitted from: *i*) the impact on expenditure and revenue stemming from better-than-expected economic performance ; *ii*) the settlement of tax arrears, which enabled revenue to increase by 1 253 M€; *iii*) the efficiency gains resulting from the new strategy to combat fraud, tax evasion and the black economy.

Inflation, as measured by the annual average change in the Consumer Price Index (CPI), decelerated sharply during the year, from 2.8% registered in 2012 to 0.3% in 2013. This reduction is based on the fall in fuel prices, as well as the dissipation of the effect of the increase of the VAT rate of natural gas and electricity, from 6% to 23%, in October 2011, which, in terms of average variation over the last twelve months, was annulled in October 2013. As a result, the previous inflationary pressures stemmed essentially from commodities (more specifically, energy) or tax changes and increases in regulated prices, being largely temporary. The dissipation of these temporary effects throughout 2013, in combination with the decline in the annual average fuel price, a marginal growth of the import prices of non-energy goods and the maintenance of strong salary moderation, resulted in this significant reduction of inflation in the country.

After the GVA of construction registered a significant annual decline of 14.8% in 2012, the sector managed to resume quarter-on-quarter growth in the 2nd (1.3%) and 3rd (1.1%) quarters of 2013 – similarly to that observed for the economy as a whole –, but still not very far from the minimum levels registered at the end of the 1st quarter of 1995. Therefore, construction continued to report a significant negative performance relative to other sectors, and is expected to have resumed its decline in the 4th quarter of the year, having registered an annual contraction in GVA of between 13.0% and 14.0% in 2013. It should be noted that the **house price** index, published by the ECB, began rising in October and continued rising over the next two months, which seems to indicate a reversion of the downward trend initiated at the end of 2010.

OTHER ECONOMIES

In spite of registering higher growth rates than those of developed economies, emerging economies also registered slower growth in 2013, more accentuated in Russia and in South Africa.

In **China**, the economy grew less in 2013 than was expected at the end of 2012, in the face of Government measures to reform the economy and the maintenance of weak external demand from advanced economies. GDP thus grew 7.7%, on a par with 2012, the lowest growth rate since 1999. The performance of the economy, associated to the absence of external shocks, enabled inflation to remain relatively subdued (+2.7%, after +2.6% in 2012).

GROSS DOMESTIC PRODUCT GROWTH

(unit: %)

	2011	2012	2013
EUA	1.8	2.8	1.9
BRICS			
Brazil	2.8	1.0	2.3
Russia	4.3	3.4	1.3
India	7.7	4.8	4.6
China	9.3	7.7	7.7
South Africa	3.6	2.5	1.9

Source: *Thomson Reuters*

The evolution of the **Brazilian economy** continued to disappoint. After growing only 1.0% in 2012, in 2013 it only expanded 2.3%, such that between 2011 and 2013 the economy grew at an average pace of 2.0%, well below the 4.5% registered between 2004 and 2010 (which also includes the contraction of 0.3% in 2009, following the international economic crisis).

In **India**, persistently high inflation left no room for the central bank which over the course of the year was forced to reverse its expansionary policy, whilst the permanence of the «twin deficits» problem (of the current account and fiscal balances) conditioned the launch of corrective measures relative to capacity constraints by the Government. The economy thus grew only 4.6%, having decelerated in comparison with the 4.8% in 2012, and registered the lowest growth rates in the previous two years since the 4.6% recorded in 2001.

In **Russia**, the economy was penalised by external demand – in the face of the contraction in the Euro Zone, the slowdown in China, the evolution of commodity prices –, and, above all, by investment – strongly conditioned by the fears of entrepreneurs in relation to the evolution of the economy and the political regime, which led to large net outflows of capital. Facing persistent high inflation, the central bank did not intervene to stimulate the economy. GDP grew a mere 1.3%, less than half of the previous year (+3.4% in 2012), the lowest pace since the «Rouble Crisis» of 1998, if the 7.8% decline observed in 2009, at the height of the recession of 2008/2009, is excluded.

South Africa, after having come out of the 2009 recession, grew 3.1% in 2010, on the back of a number of government policies and the recovery of domestic demand due to the hosting of the World Football Championship. The economy accelerated once again in 2011 to 3.6%, but decelerated to 2.5% in 2012, reflecting the slowdown of the world economy and its strong external openness, having slowed again to 1.9% in 2013.

In **Angola**, following the budget and balance of payments crisis of 2009, a programme was signed with the IMF aimed at correcting the macroeconomic imbalances. The institution believes that the programme achieved its main objectives. In this context, the authorities have advanced with a programme of institutional reforms, to strengthen several key areas in budgetary, monetary and financial management.

After having expanded 5.2% in 2012, GDP is expected to have grown between 4.1%, estimated by the IMF, and 6.8%, forecast by the Economist Intelligence Unit (EIU), in 2013. The Government and the World Bank predict a growth rate of 5.1%. The Government's forecast implies a significant downward revision relative to the 7.1% predicted in December 2012, with growth limited by a less expansionary budget execution than foreseen, lower-than-expected oil production and less-than-expected growth of some important trade partners, such as China. The oil sector is expected to have grown between 0.6%, estimated by the IMF, and 2.6%, forecast by the Government (+4.3% in 2012), while the non-oil sector is expected to have continued to grow, between 5.8% and 6.5% (+5.6% in 2012), which is encouraging news for the required diversification of the productive structure. In 2014, GDP is expected to accelerate, to between 5.3%, predicted by the IMF (the most pessimistic prediction), and 8.0%, forecast by the Government and the World Bank (the EIU estimates a growth rate of 5.9%). According to the IMF, the non-oil and oil sectors are expected to grow 6.4% and 3.0%, respectively.

In terms of inflation, notable progress has been made, considering that it fell to double digits as recently as 2003. Inflation fell to 7.69% in December, having registered 8.8% in 2013, slightly below the 9.0% predicted by the Government one year

ECONOMIC INDICATORS FOR ANGOLA

(unit: %)

	2009	2010	2011	2012	2013E	2014F
GDP	**2.4**	**3.4**	**3.9**	**5.2**	**4.1**	**5.3**
Oil sector	**-5.1**	**-3.0**	**-5.4**	**4.3**	**0.6**	**3.0**
Non-oil sector	**8.1**	**7.6**	**9.5**	**5.6**	**5.8**	**6.4**
Exports, f.o.b. (% GDP)	54.2	60.4	64.6	62.9	58.3	55.1
Oil & Gas	52.8	58.8	62.3	61.5	56.8	53.6
Imports, f.o.b. (USD)	30.0	20.2	19.4	19.4	20.7	21.8
IPC (annual average)	13.7	14.5	13.5	10.3	8.8	7.7
Current Account Balance (% GDP)	-9.9	8.1	12.6	9.2	5.0	7.7
Global Fiscal Balance (% GDP)	-7.4	3.4	8.7	5.0	-1.5	-2.0
Public Foreign Debt (% GDP)	20.2	21.7	19.7	19.3	17.3	18.7

Source: Bank of Angola for inflation until 2013. IMF for the remaining, based preferably on IMF Country Report No. 14/81 (March, 2014).
Notes: variation rates in %, except as indicated; E – estimate; F – forecast.

earlier and in deceleration relative to the 10.3% recorded in 2012. The accumulation of international reserves and the reform of monetary policy, with the introduction of a reference rate, which, at the meeting of 23 December, the National Bank of Angola decided to maintain at 9.25%, having reduced it by a total of 100 bps during the year, have been crucial in these significant achievements. In the foreign exchange market, the kwanza depreciated 1.9% against the dollar in 2013 (-1.3% in 2012), continuing the trend that has lasted since the start of the millennium. However, due to the strong growth of internal prices, the real effective exchange rate has appreciated. The BNA has promoted the «de-dollarization» of the economy since 2011, having implemented the last stage of the new exchange rate law in October, which requires oil companies to make payments to non-resident suppliers through national banks. On the other hand, loans and deposits in national currency continued to increase their weight as a proportion of total loans and deposits, with the former representing 65.0% and the latter 61.5% of said total in November. The volume of credit granted to the private sector grew 10.3% in 2013, while the monetary aggregate M3 expanded 16.9%.

In terms of budgetary policy, in 2013 a budget deficit is expected to have been recorded (-1.5% of GDP, according to the IMF), below what was budgeted (-3.7%), benefitting from oil revenues and lower-than-expected expenditure. In any case, it should be noted that there is a considerable difference between the Government and the IMF's estimates (in 2012: +5.1% according to the IMF vs +8.7% according to the Government). In 2014, in the SB proposal, the Government forecasts a deficit of 4.9% (-2.0% according to the IMF), in the face of a strong increase in expenditure, namely investment. It should be noted that the budget execution is highly dependent on oil revenues, excluding which the primary balance would register a very high deficit (close to 50% of non-oil production; close to 30% of total GDP).

Cape Verde is a small open economy, highly conditioned by external economic circumstances, as reflected in its high dependency on energy and food imports and foreign capital flows. In this sense, the economy has been particularly penalised in the last few years, initially by the global financial crisis (which led to a contraction of the Cape Verdean economy of 1.3%) and subsequently (to a lesser degree) by the sovereign debt crisis in Europe and the resulting double dip of the economies of the country's main partners (Portugal and Spain represent more than 50% of the archipelago's trade with other countries). Over the course of 2013, the monthly economic indicators suggested a continuing slowdown of the economic momentum, also influenced by the deterioration of economic agents' confidence and the banking system's balance sheet, with the IMF predicting in October 2013 a rate of GDP growth of 1.5% for 2013, in deceleration relative to the 2.5% estimated for 2012, after the economy had already slowed by 1.5 p.p. in the previous year. In addition to the international economic environment, in spite of the good performance shown by the tourism sector, the economic slowdown of the country was also caused by a contraction in domestic demand. The IMF predicts a strong acceleration of economic growth for 2014 (+4.4%), benefitting from the pick up in Portugal and Spain, although still far from the growth rates above 9.0% observed in 2006 and 2007. In terms of the evolution of prices, annual average inflation came to 1.5% in 2013, 1.0 p.p. below that observed in 2012 and representing the second consecutive year of deceleration (+4.5% in 2011).

FINANCIAL MARKETS

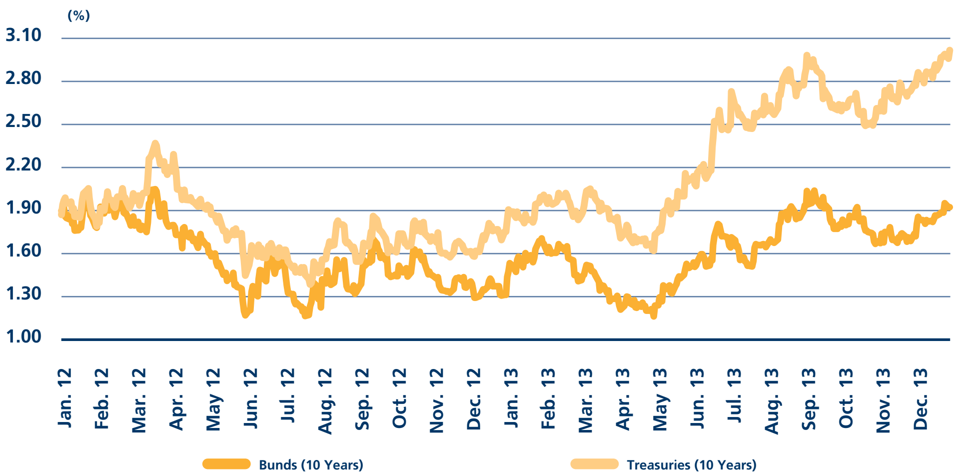
Investor sentiment relative to the advanced economies improved significantly in 2013, namely in stock markets, but benefited mostly from the expansionary stance of the main central banks and from the continued gradual increase in optimism relative to the resolution of the euro crisis. However, the sentiment in emerging economies was adversely affected by the difficulties faced in some economies, the BRIC (Brazil, Russia, India and China) in particular.

In relation to **interest rate expectations**, the main central banks continued in the spotlight. The Fed proved to be more temperate in the withdrawal of stimulus than had been anticipated by the markets, after this had become a central theme from the middle of the year onwards, when the decision of December 2012 to loosen monetary policy was still fresh. The conduct of the ECB also supported the economy, by cutting the reference rate by a total of 0.5 p.p. (between May and November) to 0.25%, committing to maintain rates low during a prolonged period of time and floating the possibility of additional measures. But the central bank whose actions had the most significant effects was the Bank of Japan (BoJ), which, in January, made a major commitment to put an end to two decades of deflation, increasing its inflation target from 1% to 2% and announcing new monetary stimuli, particularly at the April meeting.

The progressive subsiding of the **euro crisis** was perhaps the main good news of 2013, with the pressure of the markets gradually abating throughout the year, and the feeling that the worst is now passed, fuelled by the commitment of the euro countries to defend the single currency. It is important to point out that this was a year with fewer developments in terms of the common policy of the European Union, reflecting, on the one hand, the absence of major crises that could impede the fulfilment of the fiscal targets of countries (and some, although limited, increased flexibility of the institutions of the euro concerning fiscal targets) and, on the other, the political uncertainty in Germany, which only ended close to the end of the year with the formation of the central bloc coalition government. The most relevant decision of 2013 at Community level was the creation of the European banking Single Resolution Mechanism, which will enable the formation of a banking union to be concluded, crucial for the integration of the European banking system and to break the link between sovereign risk and banks' risk, which was one of the reasons behind the impact of the euro crisis on the financial system, in addition to the approval of the regulation and directive on the reform of the supervisory regime for the banking sector, known as Basel III.

With regards to the **benchmark public debt**, 10-year yields increased on both sides of the Atlantic, especially in the USA, in the face of improving market sentiment. In the case of German bunds, the increase in yields was also due to the favourable evolution of the debt situation of the peripheral countries, whereas in the USA, the evolution of yields reflected, in part, the expectations in relation to the tapering of the expansionary policy of the Fed, with yields ending the year close to the maximums since July 2011. Therefore, 10-year American and German public debt rates increased by 127 and 61 bps, respectively, to 3.028% and 1.929%, in the former case distancing itself from the historical minimums reached in July 2012 (1.39%) and in the case of the bunds, ending far from the historical minimums that were reached at the beginning of May (1.16%).

EVOLUTION OF PUBLIC DEBT SECURITIES PROFITABILITY (BUNDS AND TREASURIES 10 YEARS)

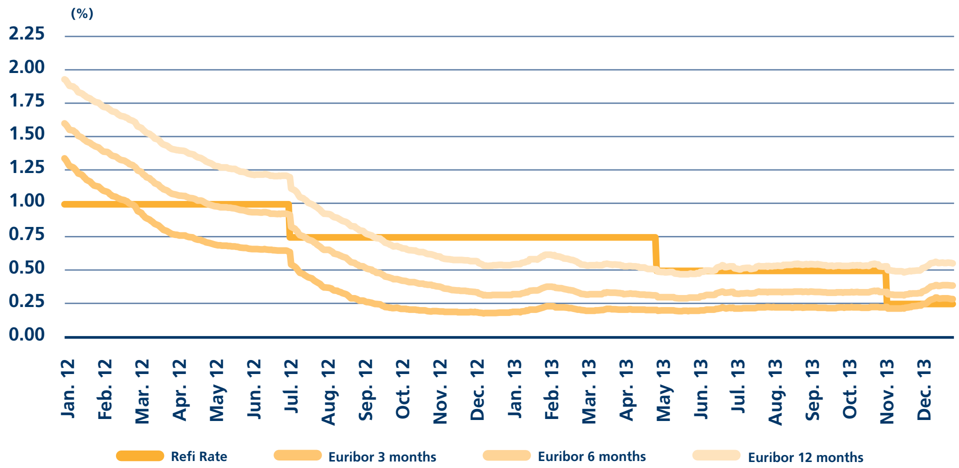


Fonte: *Thomson Reuters*

Increases were also registered at shorter maturities, but were much less pronounced in the case of treasuries (+13 b.p. vs +23 b.p. in the bunds), with the effect being offset by the evolution of expectations relative to the maintenance of short-term interest rates during almost the whole of the next two years.

This evolution of expectations was also observed in the Interbank Money Market (**IMM**), where the Euribor rates only registered slight increases (+10 b.p. at 3-month maturities and +1 b.p. at 12-month maturities), ending close to historical minimums, in spite of the accumulated 50 b.p. cut in the refi rate. This increase signals the decrease of excess liquidity in the system (excess stemming from the LTRO operations undertaken by the ECB and that banks have been repaying in advance) and, on the other hand, the return to the IMM of some institutions that had no option but to refinance themselves with the ECB.

EVOLUTION OF EURIBOR INTEREST RATES – EURO ZONE

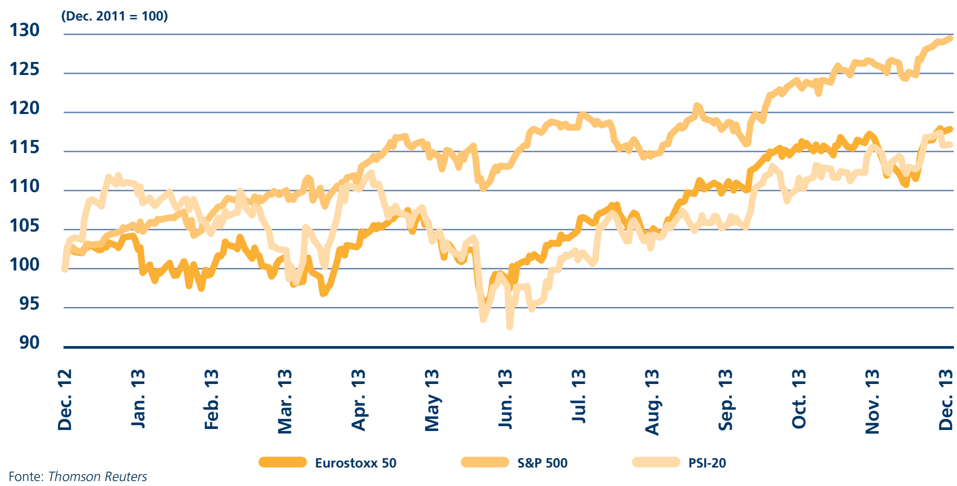


Fonte: *Thomson Reuters*

In terms of the **public debt of the so-called peripheral countries**, the spreads relative to the German Bunds continued to decrease in 2013. This movement reflected, on the one hand, the signs of commitment and even of some flexibility of the official creditors – which culminated with the agreement to create the Single Resolution Mechanism – and, on the other hand, reflected the developments of the budget adjustment processes relative to each country, relative political stability (in spite of the crises in Italy and Portugal) and with economic data released in the second half of the year confirming the expected start of the recovery. These were cross-cutting improvements. However, the persistence of some risks, namely political ones, dictated the decrease of the relative spread to a lesser extent in Portugal – as well as in Italy –, while the winners of the year were clearly Ireland and Spain, because the former managed to complete the year without almost any setbacks, having decided to return to the markets on its own, following the end of the rescue programme, and Spain because it managed to shake off the prospect of a bailout which had been considered as a certainty by the markets in 2012. The spread of Portuguese public debt ended the year at 420 b.p., 150 b.p. below the closing value of 2012, close to the minimums of February 2011.

In **stock markets**, significant increases were recorded in the main indices, benefitting from the combined effect of: *i*) improved and more solid prospects in relation to medium-term economic growth; *ii*) diminishing expectations relative to short-term interest rates, namely from the Fed which increases the present value of securities; *iii*) the favourable evolution of the euro crisis; *iv*) the fall in the price of some types of commodities, such as agricultural commodities and metals, which lower company costs.

EVOLUTION OF THE MAIN STOCK MARKET INDICES



Fonte: *Thomson Reuters*

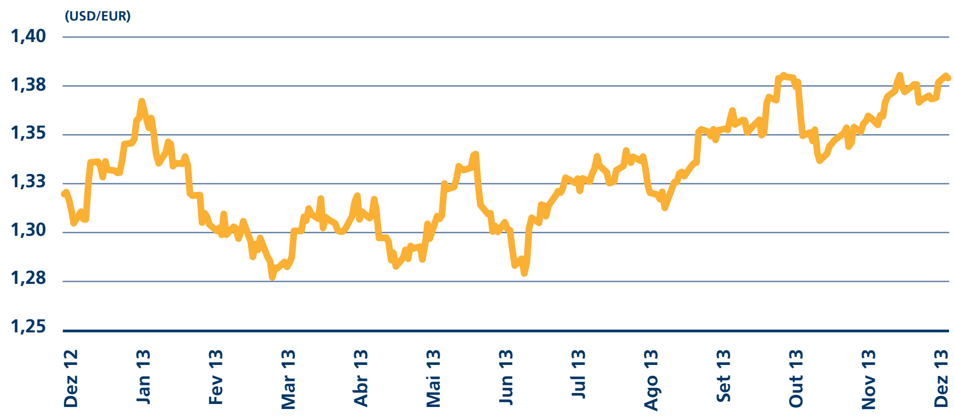
It should, however, be noted that this favourable evolution was somewhat confined to the advanced economies, since the setbacks faced by the emerging economies, namely the BRIC, were reflected in declines of these countries' stock markets (with the exception of India).

In the Euro Zone, significant increases in the indices of both the core countries and the peripheral countries were recorded, with the German DAX taking the lead (+25.5%), having reached a new historical high during the month of December and the PSI-20 registering its highest level since August 2011, rising 16.0% in the year.

In the **private debt** market the spreads replicated the improved market sentiment, and in particular the rise in European shares, with downward movements in the CDS (Credit Default Swaps) indices and in the private debt indices in the Euro Zone in the spot market being recorded.

In the **foreign exchange market**, the nominal effective exchange rate of the euro rose 4.9% relative to the end of 2012, benefitting from the appreciation of the single currency against the dollar and, in particular, the yen whereas relative to the pound it ended relatively unchanged. This movement resulted, on the one hand, from improved market sentiment and, on the other hand, from different expectations in relation to the benchmark interest rates over the next twelve months, which fell in the USA and Japan, but increased slightly in the Euro Zone. The pound, in turn, also benefitted from its correlation with market sentiment and the very positive data on the British economy that were published. The dollar index, in turn, closed almost unchanged, with the dollar depreciating relative to the pound, but appreciating relative to the yen. The most important currency pair, EUR/USD, closed the year at 1.38, almost at its highest level since October 2011, having appreciated 4.3%. Finally, various downward movements in several categories of commodities were registered, translating into declines in the Reuters/Jefferies CRB and S&P GSCI composite indices (-5.0% and -2.2%, respectively).

EVOLUTION OF EURO-DOLLAR EXCHANGE RATE



Fonte: *Thomson Reuters*

3. Strategy and Business Model

3.1. STRATEGY

The strategic agenda of 2013 continued to be marked by the objectives and measures within the scope of the Funding & Capital Plan (FCP), requested from the eight main national banking groups within the framework of the PAEF since June 2011, which has been controlled and reviewed quarterly by the competent authorities (Banco de Portugal and troika).

The CEMG Group has complied with the requirements and goals of the FCP both in terms of liquidity, with the reduction of the commercial gap and the leveraging ratio, and the growth of the pool of collaterals for refinancing operations with the ECB, and in terms of stable funding ratios and Core Tier 1 solvency. As at 31 December, the CEMG Group registered a new reduction of the commercial gap of 1.3 billion euros, an increase of the pool of eligible assets for refinancing operations with the ECB of 2.6 billion euros (+84.2%), a stable funding ratio of 100% and a Core Tier 1 solvency ratio of 11.0%.

The year of 2013 was particularly marked by the various specific inspection works of the Bank of Portugal within the framework of the cycle of cross-cutting inspections undertaken by the authority with a view to safeguarding the financial stability and reinforcing the robustness of the financial system, within the framework of growing regulatory and prudential requirements, and of a continuous supervision and «on-site» process.

Following on from the SIP (Special Inspections Program) and OIP (On-site Inspections Program), conducted in 2011 and 2012, the following cross-cutting inspection actions are noteworthy: (*i*) Credit Portfolio Impairment Review Exercise (ETRICC); (*ii*) Business Plan Analysis carried out on the Banking System's Main Clients (ETRICC2); (*iii*) Collective Impairment Model Review; (*iv*) Reassessment of Properties Acquired as Payment for Credit Granted; (*v*) Distressed Loan Management Assessment Program (SAP).

These broad-reaching inspection actions required a significant reinforcement of the provisions and impairments of institutions, of which CEMG was no exception, having affected the results of 2013 significantly.

In continuing to address the challenges resulting from the crisis and the austerity policies of the PAEF, in particular the financial difficulties of companies and households, as well as the extraordinary requirements imposed on the financial sector, but also with a view to contribute to the national economic recovery and its sustainable growth, Caixa Económica Montepio Geral identified the following strategic priorities for action:

- **Reinforce and diversify own funds** – with the objective of maintaining solvency levels, ensuring development conditions in line with growing prudential requirements. In order to reinforce own funds and create the conditions to support economic growth, the Participation Fund of CEMG was created with the launch of the first Public Subscription Offer of 200 million Units of the Fund.
- **Enhance profitability and diversify activity** – increase new loans to companies, focusing on sectors considered strategic to the country (micro and SME of the tradable and export goods sectors), combined with closer monitoring of customers, the enhancement of the overdue loans recovery process, increased retail funding and the progressive increase in the weight of international activity in the CEMG Group.
- **Increase efficiency and obtain synergies** – through the reduction of operating costs, the optimisation of resources, and measures to achieve savings through synergies within the Montepio Group.
- **Readjust the organisation and the management of the CEMG Group within the framework of the new corporate governance model** – with a view to increasing its efficacy and efficiency, promoting value capture and reinforcing the integration and optimisation of resources and capital.
- **Develop the internal control system** – improving the functional and managerial capabilities and expertise, and reinforcing the autonomy of the control functions – the risk control functions in particular.

- **Continue to attract associates and enhance the mutualist offer** – enhance the commercial dynamics of the mutualist offer, taking advantage of the potential of the distribution channels of the companies of the consolidation perimeter to intensify the transformation of customers into associates, permanently focused on its mission and purpose as a credit institution at the service of mutualism.

According to established practice and statutory provisions, these Strategic Guidelines were approved by the bodies of the CEMG, including the General Meeting on 27 December 2013, to be in effect from 2014 to 2016. These Strategic Guidelines, in addition to focusing on meeting the targets required by the authorities, as previously mentioned, also aim to strengthen capabilities to preserve CEMG's competitiveness, enable the creation of value and ensure its harmonious and sustainable development.

Within the framework of the strategy to reaffirm its differentiation as a credit institution at the service of mutualism and the social economy, Caixa Económica continued to develop its association with entities of the Third Sector, promoting the specific offer for this sector, including commercial and cooperation partnerships and relations with the various entities of said sector.

3.2. SOCIAL RESPONSIBILITY AND SUSTAINABILITY

As a corollary to the social responsibility and sustainability policy that extends to all the entities of the Montepio Group, CEMG developed a number of initiatives in 2013 that fall under this area, although it is important to point out that the socially responsible practices and the promotion of a harmonious and sustainable development, involving the adoption of stringent and deontological ethical standards are inherent to its mission, inseparable from the origins of the Montepio Group.

SOCIAL SOLIDARITY

In 2013, an effort was made to deepen the social responsibility dimension, gradually extending it to all the intervenients of the Montepio Group, and lay the foundations for an improved assessment of the impact of activities undertaken, with the Social Responsibility Committee having been set up for this purpose. There was thus an increase in internal cooperation and a consolidation of external partnership relations, which translated into an increase in projects developed in partnership and an improved optimisation of resources.

The action developed within the scope of the social sector of the economy deepened the strategy of promotion of the various activities and agents of this sector, with emphasis on the following initiatives:

- Support and participation of Montepio in the «5th Fundraising Call to Action» Seminar which focused attention on the changes in companies in relation to their form of «giving», as well as new concepts of investments in capacity-building and in the involvement of the employees and local community, namely in innovative and sustainable projects.

5º SEMINÁRIO FUNDRAISING calltoaction

VISÃO Solidária

- «Os Nossos Heróis, Histórias na Primeira Pessoa» (Our Heroes, Stories in the First Person) was the theme of the second conference organised by the magazine VISÃO Solidária, with the support of Montepio, which marked the opening of subscriptions for the 2nd edition of the «Os nossos Heróis» (Our Heroes) prize.

  Within the scope of this edition, and in addition to the special edition of the magazine Visão, totally dedicated to the themes of social solidarity, the magazine Visão Júnior Solidária was launched, in which Montepio was also present through a special section focusing on Financial Education and directed at children and young people.

- In terms of the Cartão+ Vida project, a credit card that supports IPSS, the contributions received enabled 4 institutions (Raríssimas, The Portuguese League Against Cancer, the Cais Association and OIKOS) to benefit, with a donation of an average value of more than 7 thousand euros.

- Within the context of the Frota Solidária (Solidarity Fleet), a central project in the activity of the Montepio Foundation, 21 vehicles were attributed, corresponding to a value of about 460 thousand euros, which allowed raising the number of vehicles offered at a national level, including the autonomous regions, to 103, thus meeting the mobility needs of the respective social solidarity institutions.
- Similarly to what occurred in previous years, a Christmas donation of a total value of 200 thousand euros was attributed, equally distributed among 10 social solidarity institutions that distinguished themselves in their efforts and initiatives to promote culture and solidarity, from north to south of the country, and that contribute on a daily basis to the promotion of the quality of life and well-being of those most in need.
- In terms of the funding of the social economy sector, the following initiatives are noteworthy:
  - Launch of the Credit Line II of Support to the Social Economy, aimed at supporting the financial recovery of the entities of the Social Economy sector, as a result of the protocol signed by Montepio and the Government, through the Ministry of Solidarity and Social Security;
  - Protocol of adhesion to the Invest Social Credit Line was signed with the Institute of Employment and Vocational Training (IEFP), António Sérgio Cooperative for Social Economy (CASES) and the Mutual Guarantee Companies, directed at supporting non-profit entities of the Social Sector;
  - Partnership signed with Santa Casa da Misericórdia de Lisboa (SCML) BIS – Social Innovation Bank, aimed at aggregating partners – public and private institutions and entities – under the common objective of promoting social innovation;
  - Strengthening of the Protocol of Cooperation with the Autonomous Region of the Azores, under the scheme of support to bank microcredit;
  - Signing of the cooperation protocol of supporting products and services, microcredit and corporate responsibility with the National Confederation of Solidarity Institutions – CNIS, entity that represents the national IPSS.

The Montepio Group gives priority to a policy of corporate social responsibility coherent with ethics and its fundamental values and focused on the long term, which offers clear benefits to the various stakeholders and contributes towards sustainable development.

As a result, in terms of corporate volunteering, the volunteer base of Montepio reached 1 116 volunteers in 2013, which corresponds to an increase of 39.2% relative to the previous year. In the first six months of the year, 30 voluntary actions were conducted which benefitted 16 partner entities and involved 503 active employees. In terms of individual volunteering relative to Internet training, 8 actions were undertaken, involving 13 volunteers, and in the actions promoted by Junior Achievement Portugal, 72 volunteers participated. The active ageing promotion programme was expanded and the social responsibility e-learning module was implemented, which covered 2 852 employees of Montepio.

ENTREPRENEURSHIP AND INNOVATION

In line with national and international trends, the Montepio Group outlined a strategy to support entrepreneurship and social innovation, focusing on investment in new sustainable projects and on the capacity-building of its social economy partners.

In this way, as the financial arm of the largest social economy organisation, CEMG, through its specialised area of Institutional Relations with the Third Sector (RITS), remains focused on the implementation of funding programmes for the Third Sector, which involve not only cooperation between the financial sector, ONGs and the public sector, but also integrated support schemes, capacity-building programmes of the Third Sector and promotion of partnerships between the Second and Third sectors.

Within the scope of the Social Economy, the strategy of action and promotion of the various activities and agents of the sector was continued, with emphasis on the I International Congress «The Social Economy – In the Challenges of the 21st Century», organised by the Ministry of Solidarity and Social Security, which was sponsored and attended by Montepio, where the future of the Portuguese Social Economy and its role in post-troika was debated.

In 2013, CEMG reinforced its positioning as a financial institution of reference of the Third Sector and as a strategic partner in supporting the financial needs – through the range of partnerships with Associação Mutualista – of corporate responsibility, by building bridges between its customers and the areas of social responsibility of the Group, of insurance, by creating tailor-made solutions for its customers and, lastly, in fighting unemployment, through the microcredit dimension in partnership with the Social Economy.

The support to the development of Entrepreneurship included various funding lines, namely Microcredit, based on protocols established with Social Economy partners, such as Santa Casa da Misericórdia de Lisboa (SCML) and the European Anti-Poverty Network Portugal (EAPN).

microcrédito

Dê o primeiro passo, nós damos o segundo.

In 2013, in connection with the protocols already established (IEFP, CASES, EAPN, SCML, OPP, Adere Minho), partnerships were established with the Autonomous Region of the Azores (RAA), the National Federation of Youth Associations (FNAJ), the National Association for the Right to Credit (ANDC) and the Inatel Foundation.

In Portugal, regarding this matter, it is worth mentioning the BIS – Social Innovation Bank initiative, which is becoming a reference in the panorama of social innovation in Portugal. The initiative aims to set up a Social Investment Fund and consists of three funding axes:

- Partially non-refundable funding (idea of seed capital) of some projects of excellence;
- Provision of bank guarantees or other (substitution of the guarantor), indispensable for the concession of microcredit;
- Investment in specific corporate businesses with a financial and social return for the investors (social bonds).

The Microcredit of Montepio has specialised managers that accompany the business promoters. Equally important is the role of the close mentors, played by Montepio employees who voluntarily provide support to the preparation of business plans and oversee their implementation.

With regards to the Entrepreneurship plan, the following actions were also undertaken:

- Launch of the «Lisboa Empreende | Microeemprendedorismo» (Lisbon Ventures I Microentrepreneurship) partnership, between Lisbon City Hall, the João Sem Medo Cooperative, Audax, UNIAUDAX and CASES.
- First anniversary of the Startup Lisbon incubators project, resulting from the partnership established with the Municipality of Lisbon and IAPMEI.

With regards to innovation, CEMG continues to play a major role in the national financial sector after having launched the **Montepio Trader** service in 2013. This service, innovative in the national banking market, consists of an online professional financial assets trading platform, enabling access to financial assets in more than 20 markets around the world.

Distinguished by its sophistication and alignment with best market practices, this service is founded upon the Saxo Bank platform which, having been tested and being in operation in numerous European markets, enables it to be multi-product, recognised by the market and to have a strong geographic presence.

Accessible from a PC, tablet or smartphone, the Montepio Trader opens up an almost unlimited window of investment opportunities for CEMG customers that want to have permanent access to the capital markets at a global level.

CULTURE AND EDUCATION

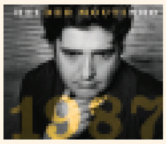
CEMG is the oldest financial institution in the national landscape, having completed 169 years of activity in March 2013. In this light, the association with the values of **Portugality** is not only inseparable but promoted through the support provided to the implementation of a number of projects within this scope, such as the communications of the 40 years of the Expresso Newspaper, initiatives supporting the development of Marine Economics and cultural events.

Montepio's association, as a sponsor, to the commemmoration of the **40 years of the Expresso Newspaper**, enabled it to consolidate its presence throughout the country and to accompany, throughout the year, the street exhibitions and thematic conferences in various cities.

MUSIC AND THEATRE

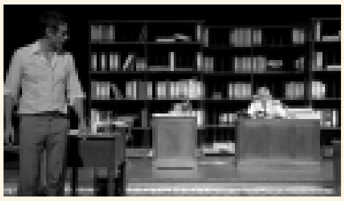
The commitment to Portuguese values was also evident in the cultural field, in particular in the areas of music and theatre.

Note should be made of the support to the «1987» album of the composer and songwriter Hélder Moutinho, as well as its premier, at the São Luiz Theatre, which was live streamed on Montepio's website. About 6 000 people accessed the site to watch the concert.



Support to the debut album of the fado singer Gisela João and the third album of originals of João Só. In the musical and concerts field, the support to the concerts of José Cid & Big Band is also noteworthy.

In the field of representation, Montepio supported the plays «Casa de Campo», «Isto É Que Me Dói» and «Conversas depois de um enterro». Montepio also supported the megaproduction «Grande Revista à Portuguesa» of Felipe La Féria which was seen by more than 100 thousand spectators by the end of the year. The play «A Noite», based on the dramaturgical text of José Saramago and which brought together a dream cast of actors, which includes, among others, Paulo Pires, Pedro Lima and Vítor Norte, is also worth highlighting.



This play was part of the commemmorations of the 15th anniversary of the award of the Nobel Literature Prize to José Saramago and was seen by more than 11 116 spectators.

MARINE ECONOMICS

Within the support to Marine Economics, three initiatives are highlighted:

- The sponsorship of the cycle of Conversations «Voxmar – O Mar em escuta ativa», a project of the Lisbon Oceanarium intended to demonstrate, via specific and current examples, the innovation potential of the Sea, from tourism to gastronomy.
- The Sea Forum, at Exponor, was aimed at companies and other institutions involved with Sea-related issues, including business meetings, exhibition/display of products, services and technologies applicable to the Sea.

  An international conference and a number of workshops on internationalisation and development of the Economy of the Sea were also held on this occasion.
- Montepio Peniche Pro sponsorship by *Rip Curl* – 4th Stage of Liga Moche 2013, the main national surf competition held in June, in Peniche.

ENVIRONMENT

Montepio associated itself, in 2013, to the conference «Social and Environmental Responsibility – International Year of Water Cooperation», within the scope of the partnership established with Diário Económico, and which enabled the debate of

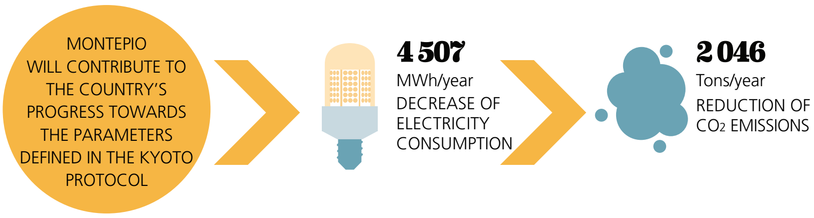
Greener Montepio Project

- Replacement of the tubular and compact fluorescent lamps at Montepio premises, in a total of 70 000 units, by LED technology lamps. This alteration not only resulted in a 70% saving in the consumption of electric energy associated with lighting, but also in the decrease of maintenance costs;
- Implementation of 450 remote control systems that, from an operations management centre, enable the monitoring of:
  - The lighting, signs and equipment of each building and branch;
  - The room temperature of the working areas and branch network, using high precision probes which ensure a high level of comfort of said areas;
  - Consumption in lower tariff daily periods, ensuring lower peaks in energy consumption;
  - Anomalies, thus acting in real time on systems and preventing costs;
  - The temperature (in degrees). For every degree of temperature managed actively, energy consumption can be cut by around 5%;
  - Real consumption and respective billing.

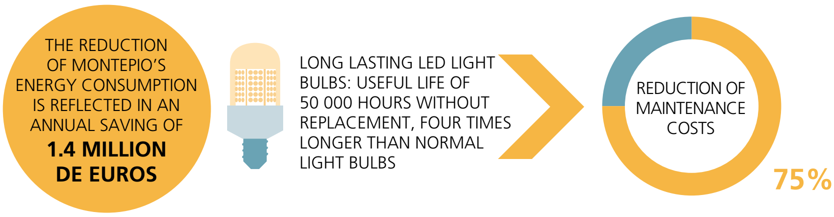
themes associated with water, environmental sustainability and social responsibility and the environment, initiating a public discussion of these themes, given their increasing relevance.

Also with regard to energy efficiency, Montepio is once again at the forefront of the national financial sector with the project **Greener Montepio**. In response to the difficult economic circumstances, current trends and continuous price increases, namely of electricity, Montepio developed this energy efficiency project. The expected results of the implementation of this project, innovative in the banking sector and in full respect of natural resources, will have a significant impact on the three pillars of sustainability: Environmental, Economic and Social.

ENVIRONMENTAL IMPACT



ECONOMIC IMPACT



RELATIONS WITH CUSTOMERS – COMPLAINTS MANAGEMENT

All the complaints received are viewed as an opportunity to continuously improve the service quality of Montepio and deepen the relations with the customers and associates of MGAM.

The management and handling of the complaints of Customers, Associates and other users, irrespective of the medium used for their submission, and the promotion of an effective response to the complainant and supervision entities (Bank of Portugal and Portuguese Securities Market Commission (CMVM), among others) is ensured by the body dedicated to these matters – the Customer Complaints Office.

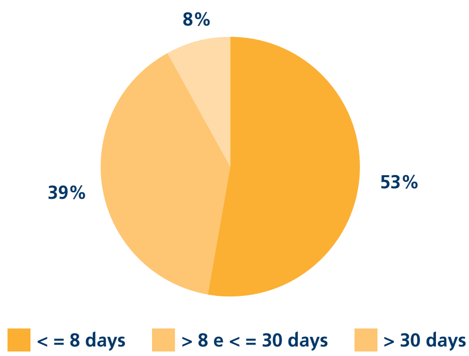
In 2013, there was a slowdown in the rate of growth of complaints which fell from 26.4% in 2012 to 9.5%. The decrease of 3.4% of complaints submitted through the Complaints Book (from 610 to 589 complaints) contributed to this slowdown, whilst complaints submitted to the Bank of Portugal registered a slight increase relative to the previous year (from 545 to 687 complaints).

The complaints index, with reference to the commercial network, came to 1.9 complaints per 1 000 active customers in 2013, representing a reduction of about 22% relative to 2012.

Considering the importance of swiftness in the response to Complainants and the Supervisory Entities, 53% of complaints processes received a response within a period of 8 days or less. It is important to note that response time is longer in cases where the assessment of the situation requires the intervention of external entities.

The issues regarding which complaints are most often made are Demand Accounts and Mortgage Loans. It should however be noted that there was a decrease in the number of such complaints, from 2012 to 2013, of about 2% and 24%, respectively.

AVERAGE TIME OF RESPONSE



Considering the quality, transparency and rigour that Credit Institutions are required to instil into the commercialisation of their products and services, the Customer Complaints Office continuously promotes various Recommendations and Warnings, aimed at eliminating, at source, the causes of the complaints submitted.

3.3. ACTIVITY BY BUSINESS AREA

3.3.1. RETAIL BANKING (Consolidated Activity)

The CEMG Group is the 6th largest Portuguese financial retail banking group, based on the domestic market, but with an expanding international activity.

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

DOMESTIC AND INTERNATIONAL ACTIVITY

(thousand euros)

	2012			2013			Variation %		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Deposits	**12 502 477**	**601 029**	**13 103 506**	**13 141 280**	**897 917**	**14 039 197**	**5.1**	**49.4**	**7.1**
Credit	**16 721 192**	**85 257**	**16 806 449**	**16 386 782**	**170 125**	**16 556 907**	**-2.0**	**99.5**	**-1.5**

The business of these companies recorded a very favourable evolution in 2013, both in terms of attraction of deposits, with an increase of 49.4%, and relative to credit granting with a portfolio variation of +99.5% in comparison to 2012, contrary to the evolution of domestic credit activity which fell 2.0%.

ATTRACTION OF RETAIL FUNDING RESOURCES

In 2013, CEMG continued to display a strong capacity to attract and retain the savings of its customers and associates, with balance sheet customer funds (deposits and securities placed with customers) reaching a total of 16 310.0 million euros, corresponding to an increase of 7.5%.

EVOLUTION OF CUSTOMER RESOURCES

(thousand euros)

	2012	2013	Variation	
	Amount	Amount	Amount	%
Deposits of Private Customers and Small Businesses	**10 200 881**	**10 149 647**	**-51 234**	**-0.5**
Private customers	9 170 545	9 151 330	-19 215	-0.2
Small business owners and Independent Professionals	54 844	50 029	-4 815	-8.8
Non-profit making institutions	975 492	948 288	-27 204	-2.8
Deposits of Companies	**2 106 338**	**2 756 639**	**650 301**	**30.9**
Deposits of Other Segments	**796 287**	**1 132 911**	**336 624**	**42.3**
Total Deposits	**13 103 506**	**14 039 197**	**935 691**	**7.1**
Securities Placed with Customers	2 067 146	2 270 834	203 688	9.9
On Balance Sheet Total Resources	**15 170 652**	**16 310 031**	**1 139 379**	**7.5**
Off balance sheet customer funds	**1 020 515**	**1 008 139**	**-12 376**	**-1.2**
Securities Investment Funds	347 243	337 061	-10 182	-2.9
Real Estate Investment Funds	339 123	341 049	1 926	0.6
Pension Funds	185 570	187 860	2 290	1.2
Bancassurance	148 579	142 169	-6 410	-4.3
TOTAL RETAIL FUNDING RESOURCES	**16 191 167**	**17 318 170**	**1 127 003**	**7.0**

The company segment recorded an increase in deposits of 30.9%, as a result of the proximity relations that CEMG has been establishing with companies and entrepreneurs, through its distribution channels and Branch and Manager relations.

At the end of 2013, disintermediation resources reached a total of 1 008.1 million euros compared to the 1 020.5 million euros at the end of the previous year, reflecting a decrease of 1.2%.

The off-balance sheet resources portfolio was mainly composed of mutual investment funds and real estate investment funds, which represented 67.3% of total off-balance sheet resources, with emphasis on the growth of the pension funds component of 1.2%.

CREDIT TO CUSTOMERS

The difficult economic and financial situation of the country within the framework of the PAEF and the austerity measures combined with the prudential requirements of deleveraging and capitalisation imposed upon Portuguese banks, continued to have a direct impact on the evolution of credit granted to customers in 2013, as in previous years.

Total customer credit registered a total balance of 16,556.9 million euros, representing a decrease of 1.5% relative to 2012.

EVOLUTION OF CREDIT TO CUSTOMERS

(thousand euros)

	2012	2013	Variation	
	Amount	Amount	Amount	%
Private Customers and Small Businesses	**10 267 539**	**9 872 879**	**-394 660**	**-3.8**
Private Customers, of which:	**9 732 247**	**9 349 584**	**-382 663**	**-3.9**
Housing	7 997 745	7 688 667	-309 078	-3.9
Individual	640 920	639 818	-1 102	-0.2
Small Business	**535 292**	**523 295**	**-11 997**	**-2.2**
Companies	**6 366 923**	**6 643 013**	**276 090**	**4.3**
Construction	1 155 377	956 942	-198 435	-17.2
Other Purposes	5 211 546	5 686 071	474 525	9.1
Other Segments	**171 987**	**41 015**	**-130 972**	**-76.2**
TOTAL CREDIT (gross)	**16 806 449**	**16 556 907**	**-249 542**	**-1.5**

Credit granted to the Private Customers and Small Business segment fell 3.8%, due to the high level of repayments of the mortgage loan portfolio, the lower level of contracting as a result of the diversification strategy and, in addition, due to lower demand for personal loans, stemming from the deterioration of households' financial conditions.

Credit granted to the Small Business segment, in spite of having increased its share in the Private Customers and Small Business credit portfolio to 5.3%, fell 2.2% to 523.3 million euros at the end of 2013.

The total value of the credit portfolio allocated to the Company segment registered an increase of 4.3%, reaching 6 643.0 million euros. It is important to point out the decrease in credit to construction companies of 17.2%, which contrasts with the reinforcement of credit to companies of other sectors, namely to the Small and Medium-sized Enterprises (SME) of the tradable sectors, within the framework of the protocoled credit lines, with emphasis on the SME Growth Lines and the Support Line for the Qualification of the Offer, in the tourism segment.

In the last quarter of 2013, continuing the strategy of greater penetration in the SME segment and as a credit institution committed to the development of the country, new credit was granted to 6 083 customers in the amount of 1 087 million euros. At the end of the year, an increase in the customer portfolio of 7.8% was observed.

In 2014, CEMG will continue to focus on the continuous monitoring and support of Small and Medium-sized Enterprises, promoting medium and long term relations and seeking the solution that is best suited for each situation.

3.3.2. INVESTMENT BANKING

Following the integration of the entities of the former Finibanco Group and the necessary studies, planning and preparation of a new business organisational model, it was defined that the bank Finibanco, S.A. would focus on the development of the investment banking activity, with a view to complete the range of offer of the Montepio Group directed at the companies segment, and thus accomplish the transversal diversification strategy of its activity, markets and sources of earnings.

In July 2013, Finibanco, SA was renamed Montepio Investimento, SA, thus clearly identifying itself with the Montepio Group and with the business area in which it will operate, ushering in the new phase of Montepio Investimento, as an entity of the Group oriented towards the corporate companies and institutions segments, at the start of 2014.

The strategic vision defined for Montepio Investimento, SA, is based on an autonomous legal model, with a dedicated commercial focus on the SME segment.

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

In 2013, the net assets of Montepio Investimento stood at 221.4 million euros, with «credit to customers» and «financial assets available for sale» representing 43.7% and 40.5% of this total, respectively. «(Gross) credit to customers» exclusively composed, to date, of asset and property leasing, came to 111.9 million euros, having decreased by 19.8 million euros (-15.0%), since it is a portfolio that is amortising. «Financial assets available for sale» reached a total of 89.6 million euros, reflecting an increase of 47.1 million euros (110.9%), as a result of the subscription of units in risk capital funds.

The financing of activity continued to be sustained by commercial paper issues, which registered a growth of 25 million euros, in line with the increase in assets.

The net operating income of Montepio Investimento came to 0.6 million euros in 2013, corresponding to a year-on-year decrease of 7.1 million euros. Net interest income came to 3.8 million euros, compared with the 7.6 million euros in the same period of the previous year, reflecting the decrease resulting from the reduction of the credit portfolio. The «earnings from financial assets available for sale» were negative at 1.7 million euros and also contributed to the reduction of net operating income by 284.0 thousand euros.

Provisions for the year came to 3.7 million euros, of which 1.3 million euros are related to the credit portfolio and 2.2 million euros are related to the securities portfolio.

The net income of Montepio Investimento, in 2013, was negative at 5.0 million euros.

3.3.3. SPECIALISED CREDIT

Montepio Crédito resulted from the change in the name of Finicrédito, SA, in January 2013, and is the entity within the Montepio Group that ensures the offer of specialised credit to private individuals, companies and third sector institutions.

The change in its name reveals not only a change of the brand but, above all, a repositioning of the institution, given that the development of the areas of specialised financing for companies, through relations with business partners suppliers of vehicles and industrial equipment, was combined with the core business of auto loans.

In 2013, 126 984 vehicles were sold in Portugal, which corresponded to a growth of 11% relative to 2012, the year in which the largest decline in sales volume of vehicles of the past 27 years (-37.9%) was recorded.

The credit granted by members of the Association of Specialised Credit Institutions (ASFAC), registered an overall growth of 15.7% (all components are considered – Classic Credit, Stock Credit and Revolving Credit) in 2013 . In terms of Classic Credit, a segment in which Montepio Crédito mainly operates, there was a year-on-year decrease of 4.8%, standing at 1 133 million euros.

The production of Montepio Crédito registered an increase of 52.0%, reaching a value of 115.0 million euros in 2013, in comparison with the 75.6 million euros in the same period of the previous year. As a result, there was a 2.2 percentage points increase in the total market share of Montepio Crédito which, in December 2013, reached 7.4% and the 4th place in the ranking of the sector (9th in the corresponding period of the previous year). With reference to the motor loan segment, the market share reached 9%.

The importance that the leasing product has gained in Montepio Crédito's activity is directly related to the new strategic guidelines. In the total universe of members of ALF (Portuguese Association of Leasing, Factoring and Renting), Montepio Crédito has a market share of 4.9% in December 2013, compared to 3.7% in the same period of the previous year, corresponding to a rise in the sector's ranking of 3 places, ensuring the 8th place at the end of 2013.

The levels of Non Performing Loans remained stable, reflected in the credit and interest overdue for more than 90 days and credit at risk ratios of 11% and 14.4%, respectively, having registered a slight decrease of 0.36 p.p. in the first ratio and 0.16 p.p. in the second ratio.

Net Income for the 2013 financial year of Montepio Crédito came to 961 thousand euros, corresponding to a decrease relative to the 4 839 thousand euros registered in 2012, which had been influenced by non-recurrent revenues accounted for in June 2012.

3.3.4. INTERNATIONAL ACTIVITY

The international activity carried out by Montepio Geral Cabo Verde – IFIC and by Finibanco Angola, S.A. registered remarkable growth and performance in 2013.

With reference to Montepio Geral Cabo Verde (MGCV), customer deposits reached 584.4 million euros in 2013 (448.6 million euros in 2012), having increased 30.3% relative to the same period of the previous year.

The net income of MGCV came to 908.8 thousand euros (449.2 thousand euros in 2012), mainly due to the increase in net interest income of 538.8 thousand euros (+88.9%).

In relation to Finibanco Angola (FNB-A), S.A., it is worth noting that, in February 2013, the process involving the change of its image was initiated, with the objective of bringing the graphic identity of the bank closer into line with the values of Montepio.

Customer deposits of FNB-A reached 316.2 million euros, corresponding to a significant improvement of 106.5%. Customer Credit, which came to 171.9 million euros, also achieved a significant year-on-year increase of 99.9%.

The strong increase in activity of FNB-A had a direct impact on net interest income, which reached 12.4 million euros (+36.3%) and on commissioning, which stood at 8.6 million euros (+36.5%), resulting in the growth in net operating income of 39.1%, which came to 36.3 million euros. Net income from foreign exchange transactions continues to contribute strongly to the net operating income of FNB-A, having reached a total of 15.2 million euros (+53.5% year-on-year).

Being a young institution undergoing organic expansion, the operating costs of FNB-A increased by 22.8%, reaching a total of 12.4 million euros. In spite of this cost increase, the favourable performance of net operating income enabled a reduction in the cost to income efficiency ratio to 34.3% (-4.5 p.p.).

In 2013, there was a net reinforcement of the impairments of the credit portfolio of FNB-A to 10.4 million euros (+3.6 million euros).

Net income for 2013 of FNB-A came to 10.9 million euros, reflecting an increase of 26.7% relative to the 8.6 million euros in 2012.

In October 2013, a report on the Angolan banking sector, published by KPMG Angola, with data relative to 2012, disclosed that FNB-A presents favourable profitability, efficiency and solidity indicators relative to the market, of which the cost-to-income ratio of 38.7%, the 4th best in the market and the solvency ratio, the best in the market, of 43.49%, are noteworthy.

4. Balance Sheet and Profit Analysis

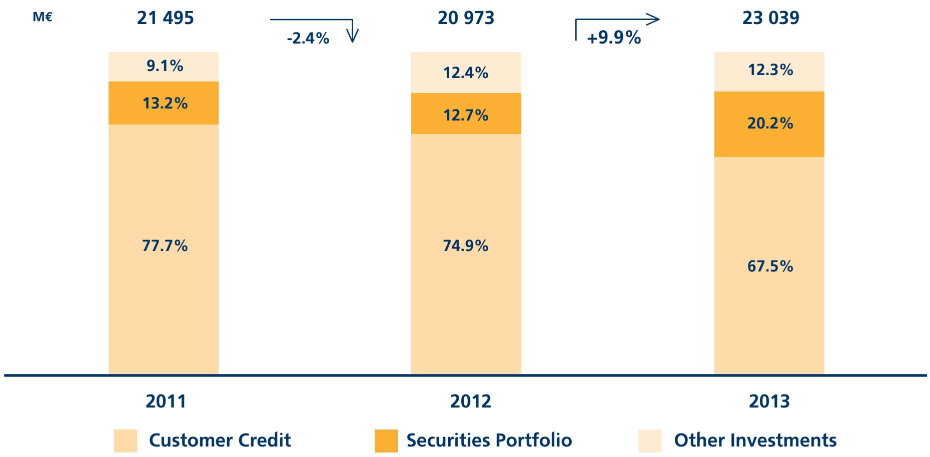
4.1. BALANCE SHEET

ASSETS

Net assets reached a total of 23 039.2 million euros, registering an increase of 9.9% relative to 2012. The increase in the securities portfolio of 74.7%, which represented 20.2% of total assets (12.7% in 2012), was instrumental in this increase.

The asset structure ended 2013 with a lower concentration profile, reflecting the greater weight of liquid assets.

EVOLUTION OF THE ASSET STRUCTURE



LIABILITIES AND CAPITAL

Liabilities reached 21 391.9 million euros in 2013 which, when compared to the 19 337.8 million euros of 2012, represented an increase of 2 054.1 million euros (+10.6%).

The increase in customer resources, corresponding to 1 139.4 million euros, was mainly determined by the deposits component, in addition to the increase of 203.7 million euros of securities placed with customers. Liabilities also benefited from the increase of 1 468.8 thousand euros in supplementary resources from credit institutions and central banks, while a reduction in issued debt (wholesale funding markets) was observed.

CEMG Participation Fund

In order to accomplish the defined strategy, 2013 was an historical year for CEMG, for being the year when the Capital of CEMG was opened to public investment. On November 25, CEMG launched the first Public Subscription Offer (OPS) of 200 000 000 shares (UP), at a face value of 1 euro, representative of the Fundo de Participação da Caixa Económica Montepio Geral. The main purpose of OPS was the reinforcement of the institution's Base Own Funds to meet the economy financing needs. The UP placement was successful, with the Search overcoming Offer by 10.2%, and subscription orders reaching an amount in excess of 220 000 000 UP within only 15 business days of the Offer. On December 17th, 2013, the UP was admitted to the Stock Exchange List after the Regulated Market Special Session.

(thousand euros)

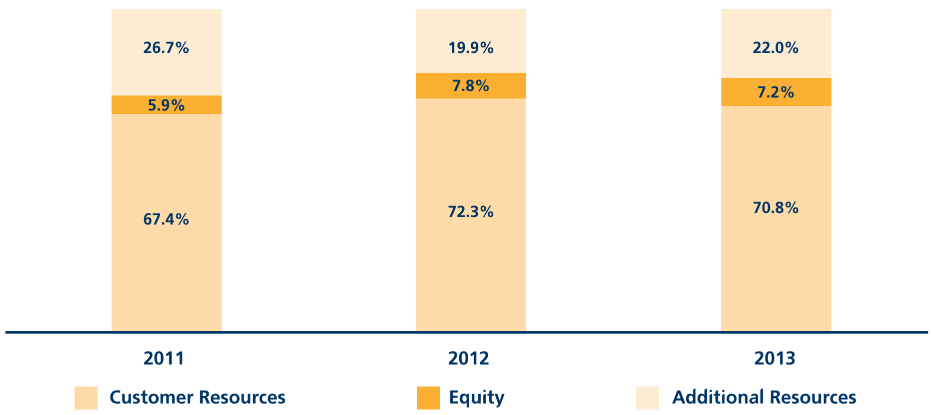
	2011		2012		2013		Variation	
	Amount	%	Amount	%	Amount	%	Amount	%
LIABILITIES	**20 235 902**	**94.1**	**19 337 761**	**92.2**	**21 391 860**	**92.8**	**2 054 099**	**10.6**
Customer Resources	**14 498 545**	**67.4**	**15 170 652**	**72.3**	**16 310 031**	**70.8**	**1 139 379**	**7.5**
Total Deposits	13 608 555	63.3	13 103 506	62.4	14 039 197	60.9	935 691	7.1
Securities Placed with Customers	889 990	4.1	2 067 146	9.9	2 270 834	9.9	203 688	9.9
Additional Resources	**5 737 357**	**26.7**	**4 167 109**	**19.9**	**5 081 829**	**22.0**	**914 720**	**22.0**
Resources from Credit Institutions and Central Banks	2 544 299	11.8	2 234 937	10.7	3 703 747	16.1	1 468 810	65.7
Subord. and Non-Subord. Loans and Debt Certificates	2 253 873	10.5	887 285	4.2	421 505	1.8	-465 780	-52.5
Financial Liabilities Relating to Transferred Assets	453 061	2.1	244 419	1.2	195 049	0.8	-49 370	-20.2
Other Liabilities	486 124	2.3	800 468	3.8	761 528	3.3	-38 940	-4.9
EQUITY	**1 259 488**	**5.9**	**1 634 970**	**7.8**	**1 647 343**	**7.2**	**12 373**	**0.8**
Institutional Capital	1 245 000	5.8	1 295 000	6.2	1 500 000	6.5	205 000	15.8
Participation Fund	–	–	–	–	200 000	0.9	200 000	–
Reserves and Retained Earnings	-56 922	-0.3	315 914	1.5	226 661	1.0	-89 253	-28.3
Other Equity Instruments and Minority Interests	26 381	0.1	21 957	0.1	19 308	0.1	-2 649	-12.1
Net Income for the Year	45 029	0.3	2 099	0.0	-298 626	-1.3	-300 725	–
TOTAL LIABILITIES AND EQUITY	**21 495 390**	**100.0**	**20 972 731**	**100.0**	**23 039 203**	**100.0**	**2 066 472**	**9.9**

Customer funds represented 70.8% (72.3% in 2012) of total liabilities and capital in 2013, of which the most noteworthy are total deposits with 60.9%, representing the main source of financing of the activity.

The Equity of Caixa Económica (Institutional Capital + Participation Fund) reached a total of 1 700 million euros as at 31 December 2013, and from 17 December 2013 presents a the new configuration, with the issue of the Units of the Participation Fund in the amount of 200 million euros, in addition to the institutional capital of 1 500 million euros. The overall increase of Capital in 2013 came to 405 million euros, and the remaining 205 million euros were allocated by Associação Mutualista.

Total Equity reached 1 647.3 million euros, representing an increase of 0.8%.

EVOLUTION OF THE LIABILITIES AND EQUITY STRUCTURE



4.2. NET INCOME

The period of budgetary, economic and social difficulties that the country faced in 2013 continued to affect confidence levels and the financial situation of households and companies, which fostered adjustment behaviour, through greater savings and lower consumption, but also led to the worsening of financial conditions, which reached critical levels.

In addition to this challenging framework, there are also deleveraging, liquidity and solvency reinforcement requirements, resulting from the PAEF, to which CEMG and the other seven largest Portuguese banking groups have been subject to since June 2011, as well as the cross-cutting inspection actions of Banco de Portugal, initiated in 2011 with the On-site Inspections Program (OIP) and which, in 2013, extended to the Credit Portfolio Impairment Review Exercise (ETRICC), the Business Plan Analysis carried out on the Banking System's Main Clients (ETRICC2), the Collective Impairment Model Review, the Distressed Loan Management Assessment Program (SAP) and the Reassessment of Properties Acquired as Payment for Credit Granted.

The combination of all these effects resulted in tighter credit conditions for banking institutions and a reinforcement of provisions and impairments for credit risk, with a very negative impact on profit for 2013, which came to -298.6 million euros on a consolidated basis.

INCOME STATEMENT

(thousand euros)

	2012		2013		Variation	
	Amount	%	Amount	%	Amount	%
Net Interest Income	**281 080**	**65.3**	**225 247**	**59.7**	**-55 833**	**-19.9**
Net Fees of Services to Customers	104 945	24.4	114 634	30.4	9 689	9.2
Commercial Net Operating Income	**386 025**	**89.7**	**339 881**	**90.1**	**-46 144**	**-12.0**
Net Trading Income	33 497	7.8	20 238	5.3	-13 259	-39.6
Income from Equity Instruments	554	0.1	535	0.1	-19	-3.4
Gains from Sale of Real Estate Relating to Credit Recovery	-17 199	-4.0	-103	0.0	17 096	99.4
Other Net income	27 629	6.4	17 126	4.5	-10 503	-38.0
Net Operating Income	**430 506**	**100.0**	**377 677**	**100.0**	**-52 829**	**-12.3**
Personnel Costs	197 146	45.8	196 834	52.1	-312	-0.2
General Administrative Overheads	119 357	27.7	109 927	29.1	-9 430	-7.9
Amortisations	43 556	10.1	33 352	8.9	-10 204	-23.4
Total Operating Costs	**360 059**	**83.6**	**340 113**	**90.1**	**-19 946**	**-5.5**
Operating Profit	**70 447**	**16.4**	**37 564**	**9.9**	**-32 883**	**-46.7**
Net Provisions and Impairments	**232 119**	**53.9**	**397 334**	**105.2**	**165 215**	**71.2**
Credit	171 301		298 834		127 533	74.4
Securities	35 674		34 016		-1 658	-4.6
Other	25 144		64 484		39 340	>100
Earnings from Associates and Joint Ventures	**-6 086**		**-12 682**		**-6 596**	**<-100**
Profit before Income Tax and Minority Interests	**-167 758**	**-39.0**	**-372 452**	**-98.6**	**-204 694**	**<-100**
Taxes	**170 951**		**75 979**		**-94 972**	**-55.6**
Current	**-6 963**		**-9 469**		**-2 506**	**-36.0**
Deferred	**177 914**		**85 448**		**-92 466**	**-52.0**
Minority Interests	**-1 094**		**-2 153**		**-1 059**	**-96.8**
Profit for the Year	**2 099**	**0.5**	**-298 626**	**-79.1**	**-300 725**	**<-100**

NET INTEREST INCOME

Net interest income reached 225.2 million euros when compared with the 281.1 million euros in the previous year. The deleveraging of the activity which, within a framework of declining market interest reference rates, resulted in a downward trend in credit concession and in the average interest rates of financial assets by -171 basis points (b.p.) (-110 b.p. in credit to customers), contributed to this evolution of net interest income. This decline exceeded the decrease in the average rates of financial liabilities, of 151 b.p., with deposits falling 84 b.p., reflecting the decrease in market interest rates, with the average 3-month Euribor rate falling from 0.57% to 0.22% in the period.

There was thus a decrease in the net interest margin, which came to 1.13% in 2013 (1.41% in 2012).

NET INCOME AND NET INTEREST INCOME

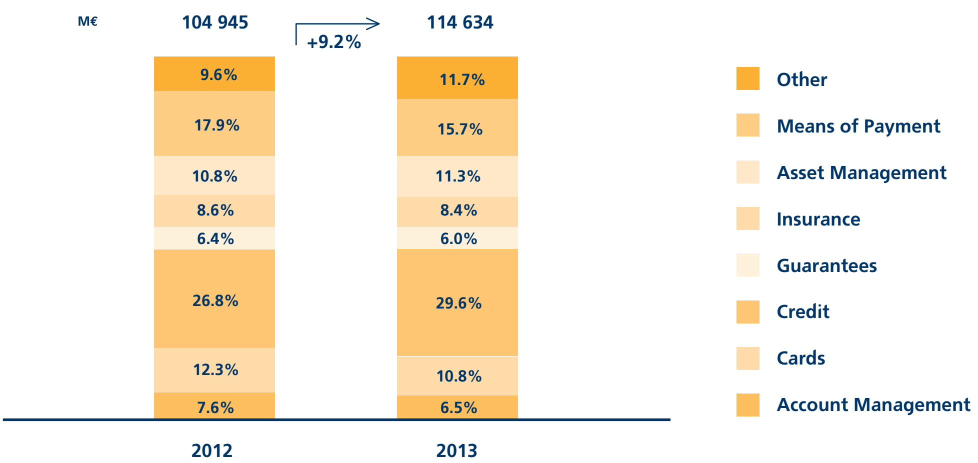
(million euros)

	2012			2013		
	Average Capital	Average Rate	Income/ Costs	Average Capital	Average Rate	Income/ Costs
Financial Assets	**19 944**	**5.77%**	**1 151**	**20 017**	**4.06%**	**812**
Customer Credit	16 906	4.41%	745	16 385	3.31%	543
Other Investments	3 038	5.77%	175	3 632	4.38%	159
Swaps			231			110
Financial Liabilities	**19 186**	**4.54%**	**870**	**19 393**	**3.03%**	**587**
Deposits	13 204	3.41%	450	13 154	2.57%	337
Other Liabilities	5 982	3.48%	208	6 239	2.27%	142
Swaps			212			108
Net Interest Margin		**1.41%**	**281**		**1.13%**	**225**
Euribor 3M – average for period		**0.57%**			**0.22%**	

CUSTOMER SERVICE COMMISSIONS

Net commissions from services provided to customers reached 114.6 million euros, reflecting an increase of 9.2% relative to 2012. The increase in net commissions from credit operations, stems from the diversification policy of the profile of credit operations, which focused on supporting the productive sector and the cash flow and investment needs of companies. Special reference should also be made to the increase in asset management service commissions.

CUSTOMER SERVICE COMMISSIONS STRUCTURE



NET TRADING INCOME

In 2013, «net trading income» reached 20.2 million euros, representing a decrease of 39.6%. The «gains arising from assets and liabilities at fair value through profit or loss», of +34.8 million euros and, in contrast, the negative evolution of «gains arising from financial assets available for sale» of 38.6 million euros, contributed to this trend.

EVOLUTION OF NET TRADING INCOME

(thousand euros)

	2012	2013	Variation	
	Amount	Amount	Amount	%
Gains arising from Assets and Liabilities at Fair Value through Profit or Loss	**-62 743**	**-27 986**	**34 757**	**55.4**
Gains arising from Financial Assets Available for Sale	**82 586**	**44 025**	**-38 561**	**-46.7**
Gains arising from currency revaluation	**14 419**	**20 223**	**5 804**	**40.3**
Other Net Income	**-765**	**-16 024**	**-15 259**	**<-100**
TOTAL	**33 497**	**20 238**	**-13 259**	**-39.6**

OPERATING COSTS

Total operating costs declined by 5.5%, reaching a total of 340.1 million euros in 2013, relative to the 360.1 million euros in 2012. There were decreases across all cost components, with emphasis on the main contributions of the declines in general administrative overheads, of 9.4 million euros (-7.9%), and in depreciation charges of 10.2 million euros (-23.4%).

EVOLUTION OF TOTAL OPERATING COSTS

(thousand euros)

	2012	2013	Variation	
	Amount	Amount	Amount	%
Personnel Costs	197 146	196 834	-312	-0.2
General Administrative Overheads	119 357	109 927	-9 430	-7.9
Operating Costs	**316 503**	**306 761**	**-9 742**	**-3.1**
Amortisations	43 556	33 352	-10 204	-23.4
Total Operating Costs	**360 059**	**340 113**	**-19 946**	**-5.5**
RATIOS				
Cost-to-Income (Total Operating Costs / Net Operating Income) (a)	83.6%	90.1%	6.5 p.p.	
Cost-to-Income (net of amortisations)	73.5%	81.2%	7.7 p.p.	

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

The efficiency ratio (Cost to Income) reached 90.1% in 2013, in comparison with 83.6% in 2012. This evolution was determined by the decrease in Net Operating Income, which was not totally offset by the decrease in operating costs.

PROVISIONS AND IMPAIRMENTS

The evolution of total provisions and impairments in 2013, which reached 397.3 million euros, was directly related to the impacts resulting from the persistence of the crisis alongside the increase in risks associated to the reinforcement of provisions and impairments determined by the continuation in 2013 of the previously mentioned cross-cutting inspection actions to the banking sector, promoted by Banco de Portugal and carried out by an independent auditor, and which included a review of the impairment calculation methodologies.

The various impacts of these exercises contributed to the substantial increase in provisions and impairments for credit risk of 127.5 million euros (+74.4%), in 2013, in addition to the increase in provisions and impairments associated to other assets, namely properties held for trading and investment properties.

EVOLUTION OF PROVISIONS AND IMPAIRMENT

(thousand euros)

	2012		2013		Variation	
	Amount	%	Amount	%	Amount	%
Net Credit Provisions and Impairments	171 301	73.8	298 834	75.2	127 533	74.4
Net Securities Impairment Charges	35 674	15.4	34 016	8.6	-1 658	-4.6
Net Other Assets Provisions and Impairments Charges	25 144	10.8	64 484	16.2	39 340	>100
Total Net Provisions and Impairments	**232 119**	**100.0**	**397 334**	**100.0**	**165 215**	**71.2**

PENSION FUND

In 2013, the assets of the pension fund reached a value of 547.4 million euros, reflecting an increase of 4.7%. The coverage level of minimum liabilities stood at 104.2% and the coverage level of total liabilities stood at 100.3%.

PENSION FUND

(thousand euros)

	2012	2013	Variation	
	Amount	Amount	Amount	%
1. Total Liabilities				
Current staff	350 702	409 333	58 631	16.7
Retired staff	114 385	136 503	22 118	19.3
TOTAL 1	***465 087***	***545 836***	**80 749**	**17.4**
2. Non-required or deferred liabilities				
Exemption of financing	17 535	20 467	2 932	16.7
TOTAL 2	**17 535**	**20 467**	**2 932**	**16.7**
3. Minimum liabilities to be financed (1-2)	**447 552**	**525 369**	**77 817**	**17.4**
4. Pension Fund's Assets Value	**522 754**	**547 407**	**24 653**	**4.7**
5. Coverage of:				
Minimum liabilities (4/3)	116.8%	104.2%		-12.6 p.p.
Total liabilities (4/1)	112.4%	100.3%		-12.1 p.p.
6. Movements during the year with impact on the Pension Fund's value:				
6.1. Contributions to the Pension Fund (+)	11 911	17 201	5 290	44.4
6.2. Actual return on assets (+)	72 146	22 978	-49 168	-68.2
6.3. Transfer of Liabilities / Funds to MGAM (-)		6 847	6 847	–
6.4. Transfer to Social Security (-)	1 256		-1 256	–
6.5. Pension payments (-)	7 872	8 679	807	10.3
6.6. **TOTAL 6 (6.1+6.2+6.3-6.4-6.5)**	**74 929**	**24 653**	**-50 276**	**-67.1**

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

- discount rate of 4.0% (4.5% in 2012);
- salary growth rate of 1.5%;
- pension growth rate of 0.5%;
- continued use of the TV 88/90 mortality table for men and women.

Total liabilities stood at 545.8 million euros and recorded a year-on-year increase of 17.4%.

SOLVENCY

In December 2013, Core Tier 1 capital increased by 7.8%, resulting from an increase in Equity of 405 million euros, which enabled covering an increase in minimum own funds requirements of 3.9% and obtain a higher Core Tier 1 ratio of 11.0%.

(thousand euros)

ITEMS	2012	2013	Variation	
	Amount	Amount	Amount	%
Total Own Funds	**1 854 434**	**1 849 276**	**-5 158**	**-0.3**
Capital	*1 295 000*	*1 700 000*	*405 000*	*31.3*
Reserves and Retained Earnings	*317 883*	*238 195*	*-79 688*	*-25.1*
Regulatory Deductions	*163 155*	*375 960*	*212 805*	*>100*
Capital Core Tier 1	**1 449 728**	**1 562 235**	**112 507**	**7.8**
Other Equity Instruments	*15 000*	*8 273*	*-6 727*	*-44.8*
Basis Own Funds Deductions	*19 140*	*11 087*	*-8 053*	*-42.1*
Basis Own Funds	**1 445 588**	**1 559 421**	***113 833***	**7.9**
Additional Own Funds	**421 764**	**305 469**	***-116 295***	**-27.6**
Other deductions	**12 918**	**15 614**	**2 696**	**20.9**
Minimum Own Funds Requirements	**1 092 307**	**1 135 054**	**42 747**	**3.9**
Risk-weighted assets and equivalents	**13 653 832**	**14 188 179**	**534 347**	**3.9**
Ratios				
Solvency	13.58%	13.03%	-0.55 p.p.	
Tier 1	10.59%	10.99%	0.40 p.p.	
Core Tier 1	10.62%	11.01%	0.39 p.p.	

Basel III – New rules and capital requirements

Following the publication, on 26 June 2013, of European regulations on the new prudential regime for the banking sector, known as Basel III, with new rules and capital requirements, as set out by the Capital Requirements Directive IV (Directive 2013/36/EU) and by the Capital Requirements Regulation (CRD IV/CRR) (Regulation 575/2013), Banco de Portugal published Notice 6/2013 which regulates the transitional regime provided for in regulation No. 575/2013 with regards to own funds and establishes measures aimed at preserving those funds.

The new rules lay down as requirements, from the beginning of 2014, a Common Equity Tier 1 (CET1) ratio of 7.0%, according to the rules of the CRD IV phasing-in, i.e., considering the transitional plans for its application.

As such, the Common Equity Tier 1 (CET1) ratio, calculated based on the CRD IV/CRR phasing-in rules, stood at 11.6% in 2013, above the minimum requirement of 7.0% for 2014, while the Total Capital CRD IV ratio reached 13.2%, above the minimum limit of 8%.

5. Risk Analysis

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

CREDIT RISK

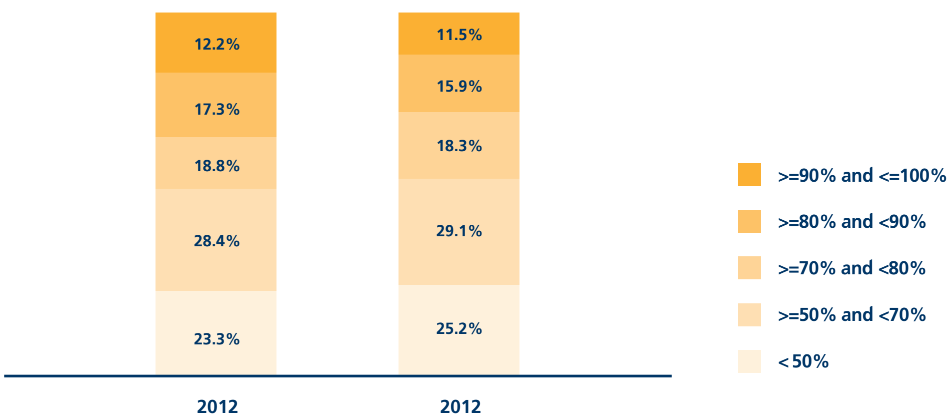
The decision-making process for credit operations is based on a series of policies using scoring models for the portfolios of Private and Business customers and rating models for the Company segment. The models, developed based on internal historical data, enable obtaining a quantitative assessment which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

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

Credit rejection is determined by the occurrence of credit events in the financial system, breach of credit rules (for example, borrowing capacity in the case of credit to individuals) and whenever the incorporation of risk in pricing significantly increases the risk of adverse selection. Furthermore, risk categories are defined, with acceptance reserved for higher decision-making levels.

The levels of the LTV (loan-to-value – the value of the financing divided by the value of the guarantee) ratio recorded an improvement in the mortgage loan portfolio, with the average LTV of the lending portfolio having fallen from 65.9% in 2012 to 64.8% in 2013.

DISTRIBUTION OF THE MORTGAGE LOAN PORTFOLIO BY LTV LEVEL



The worsening of the economic climate continued to reflect itself in the deterioration of Non Performing Loans and credit risk ratios, with the balance of credit and interest overdue having increased by 6.9%. Within a framework of a contraction of the total credit portfolio, this increase led to a rise in the various credit risk ratios, with the ratio of loans overdue more than 90 days and the ratio of non-performing loans standing at 5.3% and 7.1%, respectively.

EVOLUTION OF THE MAIN INDICATORS OF NON-PERFORMING LOANS

(thousand euros)

INDICATORS	2012	2013	Variation	
			Amount	%
Gross Credit to Customers	**16 806 449**	**16 556 907**	**-249 542**	**-1.5**
Overdue Credit and Interest	**934 565**	**999 031**	**64 466**	**6.9**
Credit and Interest Overdue for more than 90 days	830 919	877 365	46 446	5.6
Impairment for Credit Risks	**922 284**	**1 051 526**	**129 242**	**14.0**
Ratios (%)				
Credit and Interest Overdue for more than 90 days	4.94	5.30	0.36 p.p.	
Non Performing Loans (a)	6.32	7.12	0.80 p.p.	
Net Non Performing Loans (a)	0.82	0.84	0.02 p.p.	
Credit-at-Risk Ratio (a)	10.95	12.25	1.30 p.p.	
Net Credit-at-Risk Ratio (a)	5.72	6.32	0.60 p.p.	
Restructured Credit as a % of Total Credit (b)	6.48	9.68	3.20 p.p.	
Restructured Credit not included in Credit Risk as a % of Total Credit (b)	5.18	7.30	2.12 p.p.	
Coverage for Impairments (%)				
Credit and Interest Overdue for more than 90 days	111.00	119.85	8.85 p.p.	
Overdue Credit and Interest	98.69	105.25	6.56 p.p.	
Credit-at-Risk Ratio	50.68	51.70	1.02 p.p.	

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

To cover the increased risk of the portfolio, CEMG reinforced impairments for credit risks that came to a total of 1 051.5 million euros at the end of 2013. This provisioning reinforcement increased the ratio of coverage of credit and interest overdue by impairments to 105.3% and the ratio of coverage of credit and interest overdue for more than 90 days to 119.9%.

CONCENTRATION RISK

Following the diversification strategy endorsed by CEMG, in 2013 there was a favourable evolution in concentration levels, as regularly reported, pursuant to Banco de Portugal Instruction 5/2011.

The sectorial concentration index fell from 15.7% to 14.5%, between December 2012 and December 2013, with the weight of the construction sector having declined in the portfolio of credit to non-financial companies from 30.4% to 27.7% In the sectorial distribution of credit in June 2013, the tertiary sector remained predominant in relation to the secondary sector, with 56.0% and 42.9%, respectively (54.7% and 44.2% in December 2012, respectively).

In relation to geographic concentration, the districts of Lisbon and Porto continue to be the regions with the highest weight in the credit portfolio, with 36.5% and 14.3% of total credit (36.4% and 14.3% in December 2012, respectively), in line with the population density of both districts.

Regarding the risk of individual concentration, which measures the risk arising from significant exposure to an individual counterpart or a group of related counterparts, a decrease was observed in the weight of the 100 largest exposures, from 14.1% to 13.2% between December 2012 and December 2013, which corresponded to a variation of the general concentration index from 0.21% to 0.23%. The index of concentration of the 1,000 largest exposures increased slightly, from 0.12% in December 2012 to 0.13% in December 2013, with a reduction of weight in the total portfolio from 28.1% to 25.9% between December 2012 and December 2013.

FINANCIAL ASSET RISK

The securities portfolio of CEMG registered an increase of 2 117.6 million euros, from 2012 to 2013. This increase was due to bonds, whose exposure more than doubled (121.6%), thus reflecting an increase of its weight in the total portfolio, from

72.5% to 87.0% (+14.5 p.p.), sustained by an investment policy oriented towards the purchase of national debt, both public and corporate. The equity portfolio also grew 29.9%, with a reduction of its weight from 17.6% to 12.3% of the total.

STRUCTURE OF THE SECURITIES PORTFOLIO BY TYPE OF ASSET

(thousand euros)

TYPE OF ASSET	2012		2013		Variation	
	Amount	%	Amount	%	Amount	%
Bonds (*)	1 811 237	72.5	4 013 637	87.0	2 202 400	121.6
Commercial Paper	247 484	9.9	31 470	0.7	-216 014	-87.3
Equities and PUs	439 262	17.6	570 450	12.3	131 188	29.9
TOTAL	**2 497 983**	**100.0**	**4 615 557**	**100.0**	**2 117 574**	**84.8**

(*) Including Accrued Interest.

The investment policy of CEMG was based on the preference for purchase of national public debt securities, which implied significant changes to the structure of the bond portfolio by rating category (excluding mortgage bonds and securitisations), with the increase in weight of issues with the Portuguese Republic's risk rating (BB), from 62.6% to 76.6% of the total portfolio. In addition to this change, the increases in exposure to securities with BB-, B+ and B- ratings, the first two due to an increase in the exposure to national corporate debt and the latter associated to the improvement of the risk rating of Greek debt, from CCC to B-, are also worthy of mention.

STRUCTURE OF THE BOND PORTFOLIO BY RATING CATEGORY (excluding Mortgage Bonds and Securitisations)

(thousand euros)

RATING CLASSES	2012		2013		Variation	
	Amount	%	Amount	%	Amount	%
AAA	13 194	0.7	13 587	0.3	393	3.0
AA+	3 666	0.2	0	0.0	-3 666	–
AA	5 496	0.3	3 202	0.1	-2 294	-41.7
AA-	3 252	0.2	4 986	0.1	1 734	53.3
A+	19 758	1.1	19 706	0.5	-52	-0.3
A	15 387	0.9	6 540	0.2	-8 847	-57.5
A-	55 179	3.1	23 073	0.6	-32 106	-58.2
BBB+	59 472	3.4	19 047	0.5	-40 425	-68.0
BBB	26 831	1.5	58 882	1.5	32 051	119.5
BBB-	60 800	3.4	23 456	0.6	-37 344	-61.4
BB+	64 872	3.7	131 150	3.4	66 278	102.2
BB	1 105 381	62.6	3 007 775	76.6	1 902 394	172.1
BB-	11 906	0.7	86 671	2.2	74 765	628.0
B+	1 478	0.1	30 146	0.8	28 668	1939.6
B	30 288	1.7	7 611	0.2	-22 677	-74.9
B-	1 519	0.1	12 086	0.3	10 567	695.6
CCC	8 571	0.5	1 916	0.0	-6 655	-77.7
CC	1 336	0.1	1 538	0.0	202	15.1
C	3 125	0.2	0	0.0	-3 125	–
NR	275 367	15.6	474 039	12.1	198 672	72.1
TOTAL	**1 766 878**	**100.0**	**3 925 411**	**100.0**	**2 158 533**	**122.2**

LIQUIDITY RISK

In a context of economic crisis, in particular of the sovereign debt crisis of the periphery countries of the European Union, and of an increase in risk costs, reflected in the contraction of the financial markets, the mitigation of liquidity risk continued to be one of the main objectives, reflected, in addition to the deleveraging and the increase in balance sheet customer funds, in the reduction of the exposure to financial markets and in the reinforcement of assets eligible for reinforcement operations with the European Central Bank (ECB).

The positive evolution of customer deposits and the continuation of the deleveraging process led, once again, to a significant decrease of the commercial gap (deposits – credit), which came to -1 437.4 million euros in 2013 (-2 712.9 million euros in 2012), with a positive impact in terms of the liquidity position.

A further decrease in the leverage ratio (credit to deposits) from 120.5% in 2012 to 110.2% in 2013 (-10.3 p.p.) was registered. Considering the total balance sheet customer resources, including the securities placed with customers, the leverage ratio decreased by 9.4 p.p., shifting to 94.7%.

LOAN TO DEPOSIT RATIO (%)

	2012	2013	Variation
	Amount	Amount	Amount
Net Credit Customer / Customer Deposits (a)	120.5	110.2	-10.3 p.p.
Net Credit Customer / Customer Resources on the Balance Sheet (b)	104.1	94.7	-9.4 p.p.

(a) Pursuant to «Banco de Portugal» Instruction 23/2012».
(b) Customer Resources on the Balance Sheet = Customer Deposits and Securities Placed with Customers.

In 2013, 1 753 million euros of securitised debt were repaid, which, in addition to the repayments made between 2009 and 2012, made up a total of 9 530 million euros over the last 5 years. The medium and long term debt refinancing needs, net of maturities, stand at only 460 million euros until the end of 2017.

The value of the assets eligible as collateral for refinancing operations with the ECB increased by 2 644.2 million euros, from 3 139.5 million euros, as at 31 December 2012, to 5 783.7 million euros, as at 31 December 2013.

This increase was essentially due to three factors:

- higher market valuation of the assets given as guarantee to the ECB relative to the end of 2012;
- acquisition of Portuguese public debt;
- a new issue of mortgage bonds withheld on the balance sheet, undertaken in May 2013.

The balance of ECB resources increased from 1 760 million euros, as at 31 December 2012, to 3 395 million euros at the end of 2013, which enabled the maintenance of a pool of eligible assets available for possible refinancing with the ECB, if necessary, reinforced by an additional 1 009.2 million euros relative to 2012 (+73.2%).

POOL OF ELIGIBLE ASSETS FOR REFINANCING WITH THE ECB

(thousand euros)

	2012		2013		Variation	
	Amount	%	Amount	%	Amount	%
1 – Pool of Eligible Assets	3 139 482	100.0	5 783 695	100.0	2 644 213	84.2
of which credit portfolio	445 442	14.2	331 043	5.7	-114 399	-25.7
2 – Use of the Pool	1 760 000	56.1	3 395 000	58.7	1 635 000	92.9
3 – Pool of Available Assets (1-2)	**1 379 482**	**43.9**	**2 388 695**	**41.3**	**1 009 213**	**73.2**

In August 2013, CEMG made an early repayment of a long term refinancing operation (LTRO) of the ECB whose maturity was planned for 2015, in the amount of 25 million euros.

The reduction of the credit portfolios in the amount of 114.4 million euros in 2013 is related to a strategic decision to not use the consumer credit rights portfolio as assets given as guarantee in refinancing operations with the ECB.

The Interbank Monetary Market (IMM) displayed signs of recovery over the course of 2013, with an increase in liquidity assignment and absorption operations, particularly between national banks. An increase in transactions relative to the previous year was thus observed, reflecting an inversion of the trend, with the steady return of foreign counterparties' interest in gradually resuming business with Portuguese financial institutions. The IMM operations not covered by collaterals continued to be, as in previous years, concentrated in short maturities, up to one week. The maintenance of the risk of the Portuguese Republic at levels considered high by the financial markets continued to condition business with foreign banks, in spite of signs of the beginnings of a turnaround in this area. The position of CEMG in IMM, at the end of 2013, reflected a net balance of 104 million euros and 20.5 million US dollars of a surplus of loans and advances to other credit institutions, with an average assignment rate of 0.3269% and 0.15%, respectively, above the refi rate. CEMG had no funds underwritten in the IMM as at 31 December 2013.

Historically, CEMG has shown dynamic positive liquidity gaps, with positive accumulated mismatches (gaps in the phasing between resource inflows and outflows) for the different time-frames up to 12 months, reflecting a balanced liquidity plan. At the end of 2013, the dynamic accumulated liquidity mismatch up to the following 12 months came to 2 162 million euros, registering an improvement relative to the previous estimate (the 12-month projection with reference to December 2012 was 495 million euros) due to the positive impacts arising from the increase in institutional capital and the strategy of investment in securities eligible for attracting resources from the ECB.

DYNAMIC LIQUIDITY POSITION GAPS AS AT DECEMBER 2013

Position on reference date + Forecast Amounts	Maturity Periods				
	On demand and up to 1 week	Above 1 week and up to 1 month	Above 1 month and up to 3 months	Above 3 month and up to 6 months	Above 6 month and up to 12 months
Accumulated Mismatches	2 810	2 418	2 342	2 244	2 162

INTEREST RATE RISK

In 2013, the impact on net worth arising from a parallel shift of +200 basis points (b.p.) of the yield curve was -6% (+8% in 2012). The sensitivity of CEMG's banking portfolio to interest rate risk was thus within the guideline limit of 20% of Own Funds defined by the BIS in «Principles for the Management and Supervision of Interest Rate Risk».

At the end of 2013, the accumulated repricing gap at 12 months was estimated at 3.8 billion euros, (5.1 billion euros in 2012) with the estimated impact on Net Interest Income of +32.9 million euros (+44.5 million euros in 2012) in the case of a sudden alteration of interest rates by +100 b.p. The variation observed in this figure essentially arises from the mismatch between the interest rate revision periods, showing greater weight of debt securities at longer periods.

OPERATIONAL RISK

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

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

In terms of exposure to operational risk, the most frequent events were failures in the execution, delivery and management of processes and those that present the greatest financial impact are those related to customers and business.

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

FREQUENCY		SEVERITY	
Processes	60.4%	Customers and Businesses	33.8%
External Fraud	21.4%	External Fraud	24.4%
Customers and Businesses	7.9%	Systems	15.6%
Other	10.3%	Other	26.2%

During the 25th anniversary of the Chiado fire, the Lisbon City Hall in partnership with IBM, developed a fire simulation exercise, with the objective of demonstrating the progress made in terms of the response capacity of the city protection and emergency services in disaster prevention, mitigation and recovery.

Montepio participated in the exercise, having had the opportunity to conduct an integrated test with external entities and to test the activation of the continuity and recovery plans of the internal systems (communication flow). This participation enabled testing the activation of the Business Continuity Plans, namely the proper functioning of their communication flows and the alignment of the procedures with the emergency management teams.

STRESS TESTS

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

In addition to the stress tests reported to Banco de Portugal, CEMG regularly carries out other impact studies, whose results are disclosed and debated in ALCO (Assets and Liabilities Committee). These tests aim to provide an analytical perspective of CEMG’s position in terms of liquidity, net income for the year and equity when subject to adverse scenarios arising from changes in risk factors such as interest rates, credit spreads, repayment of deposits, margins of assessment of eligible assets applied by the ECB, ratings (of CEMG and counterparts), non-performance of portfolios, and collateral, among others. The results of the analyses performed demonstrate the conformity of the delineated strategies and ensure compliance with the solvency, liquidity and sustainability levels.

COMPLIANCE RISK

The risk of compliance related to the probability of occurrence of impacts arising from non-conformity with legislation, regulations, contracts, rules of conduct, codes and standards (external and internal) in force, is mitigated via the dissemination of a compliance culture, through the identification and assessment of various situations that contribute to that type of risk, particularly in terms of transactions/activities, business, products and structure bodies, defining the respective procedures and mechanisms of conformity control and carrying out their monitoring.

During 2013, in addition to an adjustment of the positioning in the organisational structure of the body responsible for compliance risk management (Compliance Office), updated versions of the internal policies on compliance and prevention of money laundering and financing of terrorism, both applicable throughout the entire Group, were published.

The year of 2013 was characterised by the continuity of the procedures of dissemination of relevant information, collaboration and intervention in mandatory reports with authorities and supervision entities, as well as in the action and monitoring conducted by the Compliance Office in areas such as:

- The transposition of legislation and communications from external entities (of regulation and supervision and sector representatives), with emphasis on Decree-Law No. 227/2012, of 25 October, which sets out principles and rules to be observed by credit institutions in the prevention and regularisation of situations involving the breach of credit contracts by bank customers; and the Notice of Banco de Portugal 5/2013, of 18 December, which regulates the conditions, mechanisms and procedures required for the effective compliance with the preventive duties regarding money laundering and financing of terrorism, set out in Chapter II of Law No. 25/2008, within the scope of the provision of financial services subject to the supervision of Banco de Portugal.
- The intervention in the product creation/alteration process, with a specific focus on matters related to their characteristics, prices, campaigns, promotional media and their marketing, bearing in mind the need to comply with information disclosure duties, rules of transparency, truthfulness and balance.
- The participation in the drafting and alteration of internal rules, through the prior issue of opinions on their conformity with the rules in force;
- The continuous improvement of IT solutions dedicated to compliance risk management, namely with respect to the processes associated to the monitoring of transactions, filtering of customer and transfer data within the scope of the prevention of money laundering and financing of terrorism.

6. Ratings

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

During 2013, the following rating actions took place:

- On 24 July 2013, DBRS confirmed the medium and long term non-collateralised senior debt rating of Caixa Económica Montepio Geral of «BBB (low)», the short term debt rating of «R-2 (low)», as well as the respective Outlook.
- On 5 December 2013, following the reinforcement of its own funds, Fitch Ratings revised upwards its individual rating (Viability Rating) of Caixa Económica Montepio Geral, by one level, from «b» to «b+», as well as the rating of its subordinated debt, also by one level, from «B-» to «B» and confirmed the rating of the medium and long term non-collateralised senior debt rating of «BB» and the short term debt rating of «B».
- On 19 December 2013, the agency Moody's Investors Service set the short term and the medium and long term senior debt ratings at «B2» and «NP», respectively.

At the end of 2013 the ratings were as follows:

RATING NOTATIONS

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

7. Proposal for the Appropriation of Profit – Individual Basis

In accordance with the provisions of subparagraph *f)* of article 15 of the Articles of Association, it is proposed that the net income for 2013 of Caixa Económica Montepio Geral, determined on an individual basis, which was negative, of -262 513 thousand euros, is taken to retained earnings.

8. Financial Statements, Explanatory Notes, Statements, Legal Certification of Accounts and Audit Reports

8.1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	2013			2012
	GROSS ASSETS	IMPAIRMENT AND AMORTISATION	NET ASSETS	NET ASSETS
ASSETS				
Cash and deposits at central banks	314 259		314 259	304 886
Deposits at other credit institutions	233 785		233 785	235 659
Financial assets held for trading	64 106		64 106	139 055
Other financial assets at fair value through profit or loss	3 450		3 450	12 300
Financial assets available for sale	4 585 083	39 267	4 545 816	2 481 445
Other loans and advances to credit institutions	330 873	810	330 063	224 324
Credit to customers	16 606 667	1 051 526	15 555 141	15 703 547
Investments held to maturity	34 631		34 631	27 495
Hedging derivatives	503		503	931
Non-current liabilities held for sale	773 539	92 151	681 388	491 795
Investment properties	543 534		543 534	388 260
Other tangible assets	285 639	165 147	120 492	96 575
Intangible assets	118 156	58 877	59 279	59 047
Investments in associates and subsidiaries excluded from consolidation	42 740	341	42 399	60 836
Current tax assets	1 832		1 832	2 702
Deferred tax assets	336 264		336 264	265 987
Other assets	183 993	11 732	172 261	477 887
TOTAL ASSETS	**24 459 054**	**1 419 851**	**23 039 203**	**20 972 731**
LIABILITIES				
Resources from central banks			3 427 354	1 776 514
Financial liabilities held for trading			62 224	84 794
Resources from other credit institutions			474 497	625 706
Resources from customers			14 142 828	13 255 447
Debt securities issued			2 319 428	2 362 336
Financial liabilities relating to transferred assets			195 049	244 419
Hedging derivatives			1 849	3 177
Provisions			8 014	14 292
Current tax liabilities			1 353	2 044
Deferred tax liabilities				533
Other subordinated liabilities			370 078	467 120
Other liabilities			389 186	501 379
TOTAL LIABILITIES			**21 391 860**	**19 337 761**
EQUITY				
Share capital			1 700 000	1 295 000
Other equity instruments			8 273	15 000
Revaluation reserves			-11 533	-1 969
Other reserves and retained earnings			238 194	317 883
Net income for the year			-298 626	2 099
Minority interests			11 035	6 957
TOTAL EQUITY			**1 647 343**	**1 634 970**
TOTAL LIABILITIES AND EQUITY			**23 039 203**	**20 972 731**

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

António Tomás Correia – Chairman

Jorge Humberto Cruz Barros Jesus Luís

Pedro Miguel de Almeida Alves Ribeiro

Fernando Paulo Pereira Magalhães

CONSOLIDATED INCOME STATEMENT AS AT DECEMBER 31, 2013 AND 2012

(thousand euros)

	2013	2012
Interest and similar income	816 030	1 155 009
Interest and similar costs	590 783	873 929
NET INTEREST INCOME	**225 247**	**281 080**
Dividends from equity instruments	535	554
Income from fees and commissions	143 686	130 517
Fees and commissions expenses	29 052	25 572
Gains arising from assets and liabilities at fair value through profit or loss	-27 986	-62 743
Gains arising from financial assets available for sale	44 025	82 586
Gains arising from currency revaluation	20 223	14 419
Gains arising from sale of other assets	35 479	-10 706
Other net operating income	-34 480	20 371
NET OPERATING INCOME	**377 677**	**430 506**
Personnel costs	196 834	197 146
General administrative overheads	109 927	119 357
Depreciation and amortisation	33 352	43 556
Provisions net of adjustments	3 196	-2 965
Credit impairment (net of reversals and recoveries)	298 834	171 301
Other financial assets impairment (net of reversals and recoveries)	34 022	35 674
Other assets impairment (net of reversals and recoveries)	61 282	28 109
Earnings from associates and joint ventures (equity method)	-12 682	-6 086
PROFIT BEFORE TAX AND MINORITY INTERESTS	**-372 452**	**-167 758**
Taxes		
Current	-9 469	-6 963
Deferred	85 448	177 914
Minority Interests	-2 153	-1 094
CONSOLIDATED PROFIT FOR THE YEAR	**-298 626**	**2 099**

THE CHARTERED ACCOUNTANT
Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS
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Fernando Paulo Pereira Magalhães

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	2013	2012
Cash flows arising from operating activities		
Interest income received	840 871	1 188 060
Commissions income received	209 375	131 490
Interest expense paid	(654 032)	(410 141)
Commissions expense paid	(22 679)	(23 684)
Payments to employees and suppliers	(240 038)	(457 934)
Recoveries on loans previously written off	9 015	6 638
Other payments and receivables	(157 902)	264 588
Taxes	–	(265 454)
	(15 390)	**433 563**
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	(323 014)	649 120
Other assets	(79 497)	(294 824)
	(402 511)	**354 296**
(Increase) / decrease in operating liabilities		
Deposits from clients	933 120	(460 144)
Deposits from credit institutions	(151 007)	(115 116)
Deposits from central banks	1 635 000	(240 000)
	2 417 113	(815 260)
	1 999 212	**(27 401)**
Cash flows arising from investing activities		
Dividends received	535	554
(Acquisition) / sale of trading financial assets	(5 424)	(63 308)
(Acquisition) / sale of other financial assets at fair value through profit or loss	8 850	(8 694)
(Acquisition) / sale of available for sale financial assets	(2 124 071)	366 018
(Acquisition) / sale of hedging derivatives	(633)	(9 449)
(Acquisition) / sale of held to maturity investments	(6 955)	48 559
(Acquisition) / sale of shares in associated companies	(27 050)	(5 134)
Deposits owned with the purpose of monetary control	15 084	150 119
Proceeds from sale of fixed assets	1 818	31 643
Acquisition of fixed assets	(149 299)	(422 620)
	(2 287 145)	**87 688**
Cash flows arising from financing activities		
Dividends paid	(1 692)	(16 584)
Capital increase	405 000	50 000
Other instruments and capital	(6 727)	–
Proceeds from issuance of bonds and subordinated debt	1 515 987	1 182 612
Redemption of bonds and subordinated debt	(1 602 688)	(1 277 664)
Increase / (decrease) in other sundry liabilities	636	6 696
	310 516	**(54 940)**
Net changes in cash and equivalents	**22 583**	**5 347**
Cash and equivalents balance at the beginning of the year	**391 419**	**386 072**
Net changes in cash and equivalents	22 583	5 347
Cash and equivalents balance at the end of the year	**414 002**	**391 419**
Cash and equivalents balance at the end of the year includes:		
Cash (note 19)	180 217	155 760
Loans and advances to credit institutions repayable on demand (note 20)	233 785	235 659
Total	**414 002**	**391 419**

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER, 2013 AND 2012

(thousand euros)

	Total equity	Share capital	Share instruments	Other capital instruments	General and special reserves	Fair value reserves	Other fair value reserves	Other reserves and retained earnings	Non-controlling interests
Balance on 1 January, 2012	**1 259 488**	**1 245 000**	**–**	**15 000**	**245 820**	**(302 878)**	**7 541**	**37 624**	**11 381**
Other movements recognised directly in Equity:									
Actuarial losses for the year (note 52)	30 860	–	–	–	–	–	–	30 860	–
Deferred taxes related to balance sheet changes accounted for reserves (note 33)	21 763	–	–	–	–	–	–	21 763	–
Changes in fair value (note 47)	297 468	–	–	–	–	297 468	–	–	–
Deferred taxes related to fair value changes	(14 880)	–	–	–	–	(14 880)	–	–	–
Profit for the period	3 193	–	–	–	–	–	–	2 099	1 094
Non-controlling interests (note 49)	(3 524)	–	–	–	–	–	–	–	(3 524)
Dividends paid	(16 584)	–	–	–	–	–	–	(16 584)	–
Dividends from Finibanco Angola, S.A.	(1 994)	–	–	–	–	–	–	–	(1 994)
Other reserves	10 080	–	–	–	–	–	10 780	(700)	–
Increase in share capital (note 43)	50 000	50 000	–	–	–	–	–	–	–
Costs related to the issue of perpetual subordinated Instruments	(900)	–	–	–	–	–	–	(900)	–
Transfers of reserves:									
General reserve	–	–	–	–	6 634	–	–	(6 634)	–
Special reserve	–	–	–	–	1 641	–	–	(1 641)	–
Balance on 31 December, 2012	**1 634 970**	**1 295 000**	**–**	**15 000**	**254 095**	**(20 290)**	**18 321**	**65 887**	**6 957**
Other movements recognised directly in Equity:									
Actuarial losses for the year (note 52)	(66 227)	–	–	–	–	–	–	(66 227)	–
Deferred taxes related to balance sheet changes accounted for reserves (note 33)	(4 778)	–	–	–	–	–	–	(4 778)	–
Changes in fair value (note 47)	33 436	–	–	–	–	33 436	–	–	–
Deferred taxes related to fair value changes	(9 860)	–	–	–	–	(9 860)	–	–	–
Profit for the period	(296 473)	–	–	–	–	–	–	(298 626)	2 153
Non-controlling interests (note 49)	2 359	–	–	–	–	–	–	–	2 359
Dividends paid	(1 692)	–	–	–	–	–	–	(1 692)	–
Dividends from Finibanco Angola, S.A.	(434)	–	–	–	–	–	–	–	(434)
Other reserves	(41 470)	–	–	–	–	–	(33 140)	(8 330)	–
Increase in share capital (note 43)	205 000	205 000	–	–	–	–	–	–	–
Increase in share capital by subscription of Share instruments (note 42)	200 000	–	200 000	–	–	–	–	–	–
Costs related to the issue of perpetual subordinated Instruments	(761)	–	–	–	–	–	–	(761)	–
Repurchase of perpetual subordinated instruments	(6 727)	–	–	(6 727)	–	–	–	–	–
Transfers of reserves:									
General reserve	–	–	–	–	1 597	–	–	(1 597)	–
Special reserve	–	–	–	–	113	–	–	(113)	–
Balance on 31 December, 2013	**1 647 343**	**1 500 000**	**200 000**	**8 273**	**255 805**	**3 286**	**(14 819)**	**(316 237)**	**11 035**

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AT 31 DECEMBER, 2013

(thousand euros)

	Notes	2013 Total	2013 Shareholders of the CEMG	2013 Non-controlling interests
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets		33 436	–	–
Taxes		(9 860)	–	–
		23 576	–	–
Items that won't be reclassified into the Income Statement				
Actuarial losses for the year		(66 227)	–	–
Deferred taxes		(4 778)	–	–
Costs related to the issue of perpetual subordinated instruments		(761)	–	–
		(71 766)	–	–
Profit for the year		(296 473)	(298 626)	2 153
Total comprehensive income/(loss) for the period		(344 663)	(298 626)	2 153

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AT 31 DECEMBER, 2012

(thousand euros)

	Notes	2012 Total	2012 Shareholders of the CEMG	2012 Non-controlling interests
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets		297 468	–	–
Taxes		(14 880)	–	–
		282 588	–	–
Items that won't be reclassified into the Income Statement				
Actuarial losses for the year		30 860	–	–
Deferred taxes		21 763	–	–
Costs related to the issue of perpetual subordinated instruments		(900)	–	–
		51 723	–	–
Profit for the year		3 193	2 099	1 094
Total comprehensive income/(loss) for the period		337 504	2 099	1 094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER, 2013

1. Accounting policies

a) Basis of presentation

Caixa Económica Montepio Geral («CEMG») is a credit institution held by Montepio Geral – Associação Mutualista, established on 24 March, 1844, and authorised to operate in accordance with Decree-Laws no. 298/92 of 31 December, and no. 136/79 of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, CEMG is authorised to carry out banking operations in addition to those mentioned in its by-laws, if previously authorised by the Bank of Portugal. This fact conducts to the practice of banking operations in general. The consolidated financial statements reflect the results of the operations of CEMG and all its subsidiaries (together referred to as the «Group») and the Group's interest in associates, for the years ended 31 December, 2013 and 2012.

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

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

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July, 2002, the Decree-Law no. 35/2005, of 17 February and Regulation no. 1/2005 from the Bank of Portugal, Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards («IFRS») as endorsed by the European Union («EU»). IFRS comprise accounting standards issued by the International Accounting Standards Board («IASB») and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee («IFRIC») and its predecessor body. The consolidated financial statements presented herein were approved by the Executive Board of Directors of CEMG on 26 March, 2014. The financial statements are presented in Euro rounded to the nearest thousand.

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

The financial statements for the year ended 31 December, 2013 have been prepared in terms of recognition and measurement in accordance with the IFRS, established by the Bank of Portugal and in use in the period.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January, 2013, as referred in note 58.

The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, except for the adoption and amendments to the following standards:

– IFRS 13 Fair value measurement

IFRS 13 provides a guidance about fair value measurement and replacing guidance that was scattered in several standards. The standard defines fair value as the price for which an orderly transaction to sell an asset or to transfer a liability would be realized between market participants at the measurement date. The standard has been applied prospectively by the Group, without significant impacts in the measurement of its assets and liabilities.

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

The amendments to IAS 1 only had impact on the presentation of the Consolidated Statement of Comprehensive Income, which presents now the separation of the items that may be reclassified to the income statement and the items that will not be reclassified to the income statement. The comparative information was also changed.

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

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

b) Basis of Consolidation

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

Investment in subsidiaries

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

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

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

Investments in associates

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

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

- representation on the Executive Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and the investee;
- interchange of the management team;
- provision of essential technical information.

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

Goodwill

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

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

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

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

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

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

Purchases and diluition of non-controlling interests

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

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognized by the Group in results for the year.

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

Special Purpose Entities («SPEs»)

The Group fully consolidates SPEs resulting from securitization operation with assets from Group entities (as referred in note 54) and from operations regarding the sale of loans, when the substance of the relation with those entities indicates that the Group exercises control over its activities, independently of the percentage of the equity held. Besides these SPEs resulting from securitization and sale of loans operations, no additional SPEs have been consolidated considering that they do not meet the criteria established on SIC 12 as described below.

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

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

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

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

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

Investment fund management

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

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

Investments in foreign subsidiaries and associates

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

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

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

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

Transactions eliminated on consolidation

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

c) Loans and advances to customers

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

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

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

Impairment

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

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

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

(i) Individually assessed loans

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

- Group's aggregate exposure to the customer and the existence of overdue loans;
- The viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- The existence, nature and estimated value of the collaterals;

– A significant downgrading in the client rating;
– The assets available on liquidation or insolvency;
– The ranking of all creditor claims; and
– The amount and timing of expected receipts and recoveries.

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

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

(ii) Collective assessment

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

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

The collective impairment loss is determined considering the following factors:

– historical loss experience in portfolios of similar risk characteristics;
– knowledge of the current economic and credit conditions and its impact on the historical losses level; and
– the estimated period between a loss occurring and a loss being identified.

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

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

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

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

The interest from debt instruments are recognized as interest margin.

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

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

The Group has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Group's credit risk related with financial liabilities accounted under the Fair Value Option are disclosed in «Net gains/(losses) arising from trading and hedging activities».

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

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

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

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

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

2) Financial assets available for sale

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

3) Investments held-to-maturity

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

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

4) Loans and receivables – Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

The financial gains or losses calculated at the time of the repurchase of other financial liabilities are recognized as Net gains/(losses) arising from trading and hedging activities when occurred.

(ii) Impairment

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

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

(iii) Embedded derivatives

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

e) Derivatives hedge accounting

(i) Hedge accounting

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

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

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

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

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

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

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis.

Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

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

– Recognized immediately in results, if the hedged instrument is extinguished.

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

(iv) Hedge effectiveness

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

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

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

f) Reclassifications between financial instruments categories

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

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

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

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

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

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

g) Derecognition

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

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

h) Equity instruments

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

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

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

i) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

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

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

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

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

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

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

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

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

k) Finance lease transactions

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

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

l) Interest income and expense

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

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

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

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

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

- Interest income for overdue loans with collaterals are accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is registered against results in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognized only when they are received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

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

m) Fee and commission income

Fees and commissions are recognized according to the following criteria:

- Fees and commissions which are earned as services are provided are recognized in income over the period in which the service is being provided;
- Fees and commissions that are earned on the execution of a significant act, are recognized as income when the service is completed;
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument, are recognized in Net interest income.

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

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

o) Fiduciary activities

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

p) Property and equipment

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

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

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

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

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

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

q) Investment property

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

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

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

r) Intangible Assets

Software

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

Other intangible assets

The recoverable amount of intangible assets without finite useful life as an asset is reviewed annually, regardless of the existence of signs of impairment. Any impairment losses are recognized in certain income statement.

s) Cash and cash equivalents

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

Cash and cash equivalents exclude restricted balances with Central Banks.

t) Offsetting

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

u) Foreign currency transactions

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

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

v) Employee benefits

Pensions

Arising from the signing of the «Acordo Colectivo de Trabalho» (ACT) and subsequent amendments resulting from the 3 tripartite agreements as described in note 51, CEMG and other Group entities set up pension funds and other mechanisms to cover the liabilities with pensions on retirement and disability, widows' pension, health-care benefits and death subsidy.

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

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

The liability with pensions is calculated annually by the Group, as at 31 December and 30 June for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries. The discount rate used in this calculation is determined based on market rates of emissions associated with high quality corporate bonds, denominated in the currency in which benefits will be paid and with a similar maturity to the date of termination of the plan.

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

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

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

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

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

Health care benefits

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

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

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

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

Long-term service benefits

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

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

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

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

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

Bonus to employees and to the Executive Board of Directors

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

w) Income taxes

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

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

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

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

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

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

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

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

x) *Segmental reporting*

Since 1 January 2009, the Group adopted the IFRS 8 – Operational Segments for purposes of disclosure of financial information by operating segments.

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

The results of the segments are periodically reviewed by Management, for decisions taking purposes. The Group prepares on a regular basis, financial information regarding the segments, which is reported to the Management. A segment is a group of assets and operations located within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

y) Provisions

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

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

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

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

z) Insurance and reinsurance brokerage services

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

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

Commission received for insurance brokerage services refer to:

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

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

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

The Group does not collect insurance premiums on behalf of Insurers, or receive or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognized relating to the insurance brokerage services rendered by the Group, other than those already disclosed.

aa) Accounting estimates and judgments in applying accounting policies

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

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

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

Impairment of available for-sale financial assets

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

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

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

Impairment losses on loans and advances to customers

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

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

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

Fair value of derivatives

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

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

Held-to-maturity investments

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

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

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

Securitizations and special purpose entities (SPE)

The Group sponsors the formation of SPE primarily for asset securitization transactions for liquidity purposes and/or capital management.

Therefore, the securitization operations Pelican Mortgages No. 3, Pelican Mortgages No. 4, Aqua Mortgages No. 1, Pelican Mortgages No. 5, Pelican SME, Pelican Mortgages No. 6 and Aqua Finance No. 3, were not derecognized in the Groups financial statements.

The Group derecognized the following SPE which also resulted from operations of securitization: Pelican Mortgages No. 1 e 2. For these SPE, the Group concluded that the main risks and the benefits were transferred, as the Group does not hold detain any security issued by the SPE, that are exposed to the majority of the residual risks, neither is exposed to the performance of the credit portfolios.

Income taxes

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

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

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

Pension and other employees benefits

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

Changes in these assumptions could materially affect these values.

Goodwill impairment

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

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

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

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	NOTES	2013	2012
Interest and similar income	3	816 030	1 155 009
Interest and similar expense	3	590 783	873 929
NET INTEREST INCOME		**225 247**	**281 080**
Dividends from equity instruments	4	535	554
Fee and comission income	5	143 686	130 517
Fee and comission expense	5	(29 052)	(25 572)
Net losses arising from assets and liabilities at fair value through profit or loss	6	(27 986)	(62 743)
Net gains/(losses) arising from available for sale financial assets	7	44 025	82 586
Net gains arising from foreign exchange differences	8	20 223	14 419
Net gains from sale of other financial assets	9	35 479	(10 706)
Other operating income	10	(34 480)	20 371
TOTAL OPERATING INCOME		**377 677**	**430 506**
Staff costs	11	196 834	197 146
General and administrative expenses	12	109 927	119 357
Depreciation	13	33 352	43 556
TOTAL OPERATING COSTS		**340 113**	**360 059**
Loans impairment	14	298 834	171 301
Other financial assets impairment	15	34 022	35 674
Other assets impairment	16	61 282	28 109
Other provisions	17	3 196	(2 965)
OPERATING PROFIT		**(359 770)**	**(161 672)**
Share of profit of associates under the equity method	18	(12 682)	(6 086)
PROFIT BEFORE INCOME TAX		**(372 452)**	**(167 758)**
Taxes			
Current	33	(9 469)	(6 963)
Deferred	33	85 448	177 914
PROFIT FOR THE YEAR		**(296 473)**	**3 193**
Profit for the year attributable to			
Montepio Geral – Associação Mutualista		(298 626)	2 099
Non-controlling interests	49	2 153	1 094
PROFIT FOR THE YEAR		**(296 473)**	**3 193**

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	NOTES	2013	2012
ASSETS			
Cash and deposits at central banks	19	314 259	304 886
Loans and advances to credit institutions repayable on demand	20	233 785	235 659
Other loans and advances to credit institutions	21	330 063	224 324
Loans and advances to customers	22	15 555 141	15 703 547
Financial assets held for trading	23	64 106	139 055
Other financial assets held for trading at fair value through profit or loss	24	3 450	12 300
Financial assets available for sale	25	4 545 816	2 481 445
Hedging derivatives	26	503	931
Financial assets held to maturity	27	34 631	27 495
Investments in associated companies	28	42 399	60 836
Non current assets held for sale	29	681 388	491 795
Investment properties	30	543 534	388 260
Property and equipment	31	120 492	96 575
Goodwill and intangible assets	32	59 279	59 047
Current income tax assets		1 832	2 702
Deferred income tax assets	33	336 264	265 987
Other assets	34	172 261	477 887
TOTAL ASSETS		**23 039 203**	**20 972 731**
LIABILITIES			
Deposits from central banks	35	3 427 354	1 776 514
Deposits from other credit institutions	36	474 497	625 706
Deposits from customers	37	14 142 828	13 255 447
Debt securities issued	38	2 319 428	2 362 336
Financial liabilities relating to transferred assets	39	195 049	244 419
Financial liabilities held for trading	23	62 224	84 794
Hedging derivates	26	1 849	3 177
Provisions	40	8 014	14 292
Current income tax liabilities		1 353	2 044
Deferred income tax liabilities	33	–	533
Other subordinated debt	41	370 078	467 120
Other liabilities	42	389 186	501 379
TOTAL LIABILITIES		**21 391 860**	**19 337 761**
EQUITY			
Share capital	43 and 44	1 700 000	1 295 000
Other capital instruments	45	8 273	15 000
Fair value reserves	46	(11 533)	(1 969)
Reserves and retained earnings	46 and 47	238 194	317 883
Consolidated profit for the year attributable to MGAM		(298 626)	2 099
Total equity attributable to MGAM		1 636 308	1 628 013
Non-controlling interests	49	11 035	6 957
TOTAL EQUITY		**1 647 343**	**1 634 970**
TOTAL		**23 039 203**	**20 972 731**

See accompanying notes to the Consolidated Financial Statements

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

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

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Net interest income	225 247	281 080
Net gains arising from assets and liabilities at fair value through profit and loss and available-for-sale financial assets	16 039	19 843
	241 286	300 923

3. Net interest income

The amount of this account is comprised of:

(thousand euros)

	2013			2012		
	Assets / liabilities at amortized cost and available-for-sale	Assets / liabilities at fair value through profit or loss	Total	Assets / liabilities at amortized cost and available-for-sale	Assets / liabilities at fair value through profit or loss	Total
Interest and similar income:						
Interest from loans and advances	516 571	–	516 571	606 095	–	606 095
Interest from other assets	1 564	–	1 564	3 237	–	3 237
Interest from deposits with banks	530	–	530	2 373	–	2 373
Interest from available-for-sale financial assets	159 904	–	159 904	288 817	–	288 817
Interest from held-to-maturity financial assets	1 629	–	1 629	1 023	–	1 023
Interest from hedging derivates	833	–	833	1 439	–	1 439
Interest from held for trading financial assets	–	109 913	109 913	–	229 273	229 273
Other interest and similar income	25 086		25 086	22 752	–	22 752
	706 117	109 913	816 030	925 736	229 273	1 155 009
Interest and similar expense:						
Interest from deposits	337 444	–	337 444	450 127	–	450 127
Interest from securities issued	112 410	–	112 410	71 452	–	71 452
Interest from loans	4 465	–	4 465	4 115	–	4 115
Interest from other funding	23 251	–	23 251	29 436	–	29 436
Interest from hedging derivates	1 290	–	1 290	1 801	–	1 801
Interest from held for trading financial assets	–	106 746	106 746	–	209 770	209 770
Other interest and similar expense	5 177	–	5 177	107 228	–	107 228
	484 037	106 746	590 783	664 159	209 770	873 929
Net interest income	222 080	3 167	225 247	261 577	19 503	281 080

The balance Interest on loans and advances includes, at 2013, the amount of Euro 19 505 thousands (2012: Euro 21 800 thousands) related to commissions and other gains/losses which are accounted for under the effective interest method, as referred in the accounting policy described in note 1 *l*).

The balance Interest and similar expense – Interest from deposits includes the amount of Euro 5 730 thousands regarding the accounting of interest on deposits with increasing interest rates (2012: Euro 6 011 thousands).

4. Dividends from equity instruments

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Dividends from available-for-sale financial assets	535	554
	535	554

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

5. Net fee and commission income

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Fee and commission income:		
From banking services	103 473	98 000
From transactions order by third parties	20 616	14 849
From insurance activity	8 373	7 798
From commitments to third parties	9 471	8 299
Other fee and commission income	1 753	1 571
	143 686	130 517
Fee and commission expense:		
From banking services rendered by third parties	23 122	20 103
From transactions with securities	575	490
Other fee and commission expense	5 355	4 979
	29 052	25 572
Net fee and commission income	114 634	104 945

At December 31, 2013 and 2012, commissions received on insurance brokerage services or reinsurance is made up as follows:

(thousand euros)

	2013	2012
Life insurance:		
Mortgage	1 754	1 804
Consumer	808	758
Other	2 699	2 200
	5 261	4 762
Non-life insurance:		
Mortgage	2 070	2 036
Consumer	111	115
Other	931	885
	3 112	3 036
	8 373	7 798

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

The amount of this account is comprised of:

(thousand euros)

	2013			2012		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Bonds and other fixed income securities						
Issued by public entities	65	–	65	13	–	13
Issued by other entities	130	94	36	15	–	15
Shares	7 883	6 180	1 703	4 426	1 958	2 468
Investment units	887	932	(45)	284	322	(38)
	8 965	7 206	1 759	4 738	2 280	2 458
Derivative financial instruments						
Exchange rate contracts	100 903	100 793	110	79 214	78 771	443
Interest rate contracts	392 774	420 192	(27 418)	1 866 679	1 867 120	(441)
Credit default contracts	656	311	345	5 439	2 352	3 087
Others	50 762	30 611	20 151	38 742	40 400	(1 658)
	545 095	551 907	(6 812)	1 990 074	1 988 643	1 431
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities issued by other entities	1 237	150	1 087	651	2 072	(1 421)
	1 237	150	1 087	651	2 072	(1 421)
Financial liabilities						
Deposits from other credit institutions	390	–	390	195	56	139
Deposits from customers	531	338	193	1 050	152	898
Debt securities issued	8 828	8 195	633	156 845	157 740	(895)
Other	16 317	41 553	(25 236)	28 202	93 555	(65 353)
	26 066	50 086	(24 020)	186 292	251 503	(65 211)
	581 363	609 349	(27 986)	2 181 755	2 244 498	(62 743)

The balance Financial liabilities – Others, includes for financial liabilities instruments arising at fair value, losses in the amount of Euro 41 313 thousands (2012: Euro 71 210 thousands) from fair value changes related with changes own credit risk (spread) changes from operations.

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

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

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

The amount of this account is comprised of:

(thousand euros)

	2013			2012		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by public entities	44 389	952	43 437	21 326	481	20 845
Issued by other entities	8 739	5 508	3 231	60 530	1 777	58 753
Shares	1 177	621	556	58	21	37
Other variable income securities	5 967	9 166	(3 199)	2 974	23	2 951
	60 272	16 247	44 025	84 888	2 302	82 586

The balance Bonds and other fixed income securities – Issued by other entities includes the amount of Euro 7 054 thousands (2012: Euro 35 116 thousands) resulting from a set of repurchase transactions carried out under a number of initiatives undertaken by the Group, regarding the management of financial and capital structure, namely the repurchase operations of bonds (Pelican Mortgage no. 3 and covered bonds), as described in notes 38 and 55.

As at 31 December 2013, the balance Shares includes the amount of Euro 146 thousands related to the sale of shares of Futuro – Sociedade Gestora de Fundos de Pensões, S.A. to Montepio Seguros, S.G.P.S., S.A., as described in note 28.

8. Net gains/(losses) from foreign exchange

The amount of this account is comprised of:

(thousand euros)

	2013			2012		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	53 958	33 735	20 223	53 833	39 414	14 419

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

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

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Disposal of subsidiaries and associates	32 187	10 125
Sale of loans and advances to customers	10 610	–
Sale of other assets	(3 887)	(411)
Sale of real estate properties	(3 431)	(20 420)
	35 479	(10 706)

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

As at 31 December 2013, the balance Sale of loans and advances to customers includes the gain on the sale of loans to customers which were recorded off balance sheet. The total amount of loans sold amounted to Euro 157 013 thousands, as described in note 22.

The balance Disposal of subsidiaries and associates corresponds to the disposal of Lusitania Companhia de Seguros, S.A. and Lusitania Vida, Companhia de Seguros, S.A., in accordance to note 28.

10. Other operating income

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Other operating income:		
Income from services	6 630	6 989
Reimbursement of expenses	7 834	8 035
Profits arising from deposits on demand management	13 279	16 802
Repurchase of own securities	2 356	25 164
Staff transfer	6 169	6 250
Other	27 561	30 976
	63 829	94 216
Other operating expense:		
Indirect taxes	15 261	5 795
Donations and membership	585	515
Contributions to the Deposit Guarantee Fund	3 225	3 139
Other operating expenses	79 238	64 396
	98 309	73 845
Other net operating income	(34 480)	20 371

As at 31 December 2012, the balance Other operating income – Staff transfer includes the amount of Euro 6 169 thousands (2012: Euro 6 250 thousands) regarding the staff transfer carried out by the Group to Montepio Geral Associação Mutualista and other subsidiaries.

As at 31 December 2013, the balance Repurchase of own securities is calculated in accordance with accounting policy described in note 1 *c*) and refer to the re-acquisition of Euro Medium Term Notes.

The caption Specific contribution for the banking Sector is estimated according to the terms of the Decree-Law 55-A/2010. The determination of the amount payable focuses on: (*i*) the annual average liability developed in balance deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and (*ii*) the notional amount of derivative financial instruments. As at 31 December 2013, the Group recognizes as cost expense for the year the amount of Euro 5 133 thousands (2012: Euro 4 261 thousands), included in the balance Other operating expenses – Taxes.

As at 31 December 2013, the balance Other operating expenses – Indirect taxes includes the amount of Euro 5 294 thousands, related to the payment of Municipal Tax on Property Code («IMT»).

11. Staff costs

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Remunerations	143 567	148 332
SAMS contributions	38 145	39 984
Other charges with the pensions fund	4 680	3 865
Other staff costs	10 442	4 965
	196 834	197 146

As at 31 December 2013, this balance includes also the amount of Euro 690 thousands (2012: Euro 3 048 thousands) regarding the cost with early retirements and the positive effect of Euro 1 097 thousands resulting from the publication of the Decree-Law no. 133/2012 on 27 June 2012, which changed the determination of the provision of death subsidy and led to a limit of a maximum of 6 times the social support index (minimum wage), which in 2013 amounted to Euro 419.22. The referred positive effect corresponds to the reduction of the associated liabilities.

As at 31 December 2012, the caption Other charges with the pensions fund includes the amount of Euro 1 256 thousands related to the impact in the income statement of the responsibilities with retirees and pensioners transferred to the General Social Security Scheme («GSSS»), as referred in note 52. The referred impact corresponds to the effect of the recalculation of the liabilities based on the actuarial assumptions set by the Portuguese State, in the scope of the transfer.

The costs with salaries and other benefits attributed to the Group key management personnel in 2013 are presented as follows:

(thousand euros)

	Board of director's	Other management key personnel	Total
Salaries and other short-term benefits	2 033	5 869	7 902
Pension costs and health-care benefits (SAMS)	29	223	252
Bonus	138	202	340
Total	2 200	6 294	8 494

The costs with salaries and other benefits attributed to the Group key management personnel in 2012 are presented as follows:

(thousand euros)

	Board of director's	Other management key personnel	Total
Salaries and other short-term benefits	3 549	5 268	8 817
Pension costs and health-care benefits (SAMS)	19	213	232
Bonus	5	202	207
Total	3 573	5 683	9 256

It is our understanding that the Other key management personnel are the top directors of the Group.

As at 31 December, 2013 and 2012, loans granted by the Group to its key management personnel, amounted to Euro 4 839 thousands and Euro 4 904 thousands, respectively.

The average number of employees by professional category at service in the Group during 2013 and 2012 is analysed as follows:

	2013	2012
Management	238	234
Managerial staff	779	779
Technical staff	1 215	1 169
Specific categories	186	158
Administrative staff	1 726	1 808
Staff	85	79
	4 229	4 227

12. General and administrative expenses

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Rental costs	29 989	31 619
Specialised services:		
IT services	9 474	11 523
Independent work	6 194	6 594
Other specialised services	19 039	24 047
Advertising costs	5 248	5 548
Communication costs	10 199	10 763
Water, energy and fuel	6 274	7 002
Maintenance and related services	5 544	6 080
Transportation	3 271	3 650
Insurance	2 993	2 361
Travel, hotel and representation costs	2 196	2 432
Consumables	2 110	1 817
Training costs	295	275
Other supplies and services	7 101	5 646
	109 927	119 357

The balance Rents, includes the amount of Euro 25 211 thousands (2012: Euro 24 986 thousands) related to rents paid regarding buildings used by the Group as leaser.

13. Depreciation

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Intagible assets:		
Software	13 615	18 808
	13 615	18 808
Other tangible assets:		
Land and buildings	6 300	10 821
Equipment:		
Furniture	970	1 070
Office equipment	96	123
Computer equipment	6 537	7 805
Interior installations	1 671	1 757
Motor vehicles	92	117
Security equipment	1 420	1 392
Operational lease	2 479	1 481
Other tangible assets	172	182
	19 737	24 748
	33 352	43 556

During 2012, the Group recorded as a cost of the period the full book value of software assets, which amount Euro 6 695 thousands.

14. Loans impairment

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Other loans and advances to credit instituitions:		
Charge for the year	1 625	69
Write-back for the year	(840)	(389)
	785	(320)
Loans and advances to customers:		
Charge for the year net of reversals	307 064	178 259
Recovery of loans and interest charged-off	(9 015)	(6 638)
	298 049	171 621
	298 834	171 301

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

15. Other financial assets impairment

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Impairment for non-current assets held for sale		
Charge for the year	68 881	51 342
Write-back for the year	(34 859)	(15 668)
	34 022	35 674

As at 31 December 2013, the balance impairment for non-current assets held for sale – charge of the year includes the amount of Euro 6 153 thousands (2012: Euro 4 874 thousands) that corresponds to the impairment recognized for investments of units in a Fund specialized in the recovery of loans, acquired under the sale of loans and advances to customers, as referred in notes 22, 25 and 60.

Additionally this caption includes the amount of Euro 8 415 that corresponds to the impairment recognized during 2013 for sovereign debt of Greece, as referred in notes 25 and 59. At 31 December 2012, for sovereign debt of Greece was recorded an impairment loss of Euro 11 257 thousands.

16. Other assets impairment

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Impairment for non-current assets held for sale:		
Charge for the year	71 885	32 912
Write-back for the year	(9 787)	(32 400)
	62 098	512
Impairment for intangible assets:		
Charge for the year	–	26 512
	–	26 512
Impairment for other assets:		
Charge for the year	1 654	1 085
Write-back for the year	(2 470)	–
	(816)	1 085
	61 282	28 109

17. Other provisions

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Provision for liabilities and charges:		
Charge for the year	3 444	2 730
Write-back for the year	(248)	(5 695)
	3 196	(2 965)

18. Share of profit of associates under the equity method

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

(thousand euros)

	2013	2012
Lusitania Vida, Companhia de Seguros, S.A.	1 506	1 970
Montepio Seguros, S.G.P.S., S.A.	(7 926)	–
Lusitania, Companhia de Seguros, S.A.	(4 354)	(7 205)
Nutre S.G.P.S., S.A.	(1 931)	(1 446)
Iberpartners Cafés S.G.P.S., S.A.	23	(13)
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	–	(145)
Prio Energy S.G.P.S., S.A.	–	753
	(12 682)	(6 086)

19. Cash and deposits at central banks

This balance is analysed as follows:

(thousand euros)

	2013	2012
Cash	180 217	155 760
Deposits at central banks		
Bank of Portugal	87 459	108 581
Other deposits at central banks	46 583	40 545
	314 259	304 886

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

The cash reserve requirements, according with the European Central Bank System for Euro Zone, establishes the maintenance of a deposit with the Central Bank equivalent to 2% of the average value of deposits and other liabilities, during each reserve requirement period.

As at 31 December 2013, these deposits at Bank of Portugal presented an average interest rate of a 0.25% (2012: 0.75%). The Other deposits at central banks are non-interest-bearing deposits.

20. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(thousand euros)

	2013	2012
Credit institutions in Portugal	183 356	180 342
Credit institutions abroad	15 302	10 895
Amounts due for collection	35 127	44 422
	233 785	235 659

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

21. Other loans and advances to credit institutions

This balance is analysed as follows:

(thousand euros)

	2013	2012
Loans and advances to credit institutions in Portugal		
Deposits	1 135	1 135
Loans	14 865	19 715
Other loans and advances	4 002	6 003
	20 002	26 853
Loans and advances to credit institutions abroad		
Deposits	9 990	9 993
Short term deposits	186 615	69 573
Other loans and advances	114 266	117 930
	310 871	197 496
	330 873	224 349
Impairment for credit risk over credit institutions	(810)	(25)
	330 063	224 324

The main loans and advances to credit institutions in Portugal, as at 31 December 2013, bear interest at an average annual interest rate of 0.35% (2012: 1.25%).

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

The balance Other loans and advances to credit institutions, by the period to maturity, is analysed as follows:

(thousand euros)

	2013	2012
Due within 3 months	320 719	214 190
Over 5 years	10 046	10 045
Undetermined	108	114
	330 873	224 349

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

(thousand euros)

	2013	2012
Balance on 1 January	25	345
Charge for the year	1 625	69
Write-back for the year	(840)	(389)
Balance on 31 December	810	25

22. Loans and advances to customers

This balance is analysed as follows:

(thousand euros)

	2013	2012
Domestic loans:		
Corporate:		
Loans	2 419 920	1 936 956
Commercial lines of credits	1 296 183	1 695 686
Loans represented by securities	596 275	–
Finance leases	374 122	384 849
Discounted bills	112 777	173 517
Factoring	76 554	105 231
Overdrafts	55 754	66 508
Other loans	1 055 583	1 370 846
Retail:		
Mortgage loans	8 281 270	8 617 320
Finance leases	64 624	119 616
Consumer and other loans	1 104 246	1 137 704
	15 437 308	15 608 233
Foreign loans:		
Corporate	109 887	63 878
Retail	55 306	12 248
	15 602 501	15 684 359
Correction value of assets subject to the hedge		
Other credits	5 135	6 907
Overdue loans and interest:		
Less than 90 days	121 666	103 608
More than 90 days	877 365	830 957
	999 031	934 565
	16 606 667	16 625 831
Impairment for credit risks	(1 051 526)	(922 284)
	15 555 141	15 703 547

As at 31 December 2013, the balance Loans and advances to customers includes the amount of Euro 2 718 554 thousands (2012: Euro 2 816 016 thousands) related to the issue of covered bonds held by the Group, as referred in note 38.

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

As referred in note 60, the Group performed a set of sales of Loans and advances to customers for a Fund specialized in the recovery of loans. The total amount of loans sold amounted to Euro 54 444 thousands (2012: Euro 14 028 thousands).

During 2013, the Group performed a sale of loans and advances to customers, which were recorded off balance sheet. The total amount of loans sold amounted to Euro 157 013 thousands, which led to an outcome of Euro 10 610 thousands, as referred in note 9.

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

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

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

– July 2012: Refund of Euro 655 000 thousands;

– June 2012: Cancellation of Euro 53 300 thousands, with a score of Euro 1 857 thousands, according to note 10;

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

– October 2011: Cancellation of Euro 291 700 thousands, with a score of Euro 17 750 thousands, according to note 10.

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

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

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

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

The balance loans and advances to customers includes the effect of traditional securitisation transactions, held by SPE's subject of consolidation under SIC 12, according with the accounting policy described in note 1 *b*), when the nature of the relationship with those entities indicates that the Group exercises control over its activities, and these SPE's are fully consolidated, as described in note 54.

As at 31 December 2013, the value of loans and advances to customers (net of impairment), includes the amount of Euro 214 474 thousands (2012: Euro 238 856 thousands) related to securitisation transactions where, in accordance with the accounting policy described in note 1 *b*), the SPE's are subject of consolidation in the Group under the integral method (note 54).

As at 31 December 2013, the balance Loans and advances to customers includes the amount of Euro 3 451 627 thousands (2012: Euro 3 737 641 thousands) related with securitized loans and, in accordance with note 1 *g*), were not subject to derecognition.

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

The fair value of the portfolio of loans to customers is presented in note 51.

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

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

(thousand euros)

	Loans and advances to customers				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	477 060	1 417 912	10 046 372	500 663	12 442 007
Other guarantee loans	777 150	271 574	368 876	255 474	1 673 074
Unsecured loans	1 064 835	154 603	378 679	191 801	1 789 918
Public sector loans	395	13 415	32 826	90	46 726
Foreign loans	20 666	134 461	10 066	6 086	171 279
Finance leases loans	2 123	147 216	289 407	44 917	483 663
	2 342 229	2 139 181	11 126 226	999 031	16 606 667

The analysis of Loans and advances to customers, by maturity date and type of credit as at 31 December 2012, is as follows:

(thousand euros)

	Loans and advances to customers				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	595 945	1 604 010	9 974 404	411 918	12 586 277
Other guarantee loans	947 541	330 218	377 924	210 758	1 866 441
Unsecured loans	678 224	208 266	337 809	268 864	1 493 163
Public sector loans	87	7 788	46 648	311	54 834
Foreign loans	17 448	54 864	2 866	10 810	85 988
Finance leases loans	8 758	178 364	320 102	31 904	539 128
	2 248 003	2 383 510	11 059 753	934 565	16 625 831

The balance Financial leases, by the period to maturity as at 31 December 2013, is analysed as follows:

(thousand euros)

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

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

(thousand euros)

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

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

(thousand euros)

	2013	2012
Asset-backed loans	500 663	411 918
Other guarantee loans	255 474	210 758
Unsecured loans	191 801	269 812
Public sector loans	90	311
Foreign loans	6 086	9 862
Finance leases loans	44 917	31 904
	999 031	934 565

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

(thousand euros)

	2013	2012
Corporate:		
Construction / Production	224 435	178 342
Investment	199 332	223 990
Treasury	306 764	237 164
Other loans	7 198	17 242
Retail:		
Mortgage loans	111 223	125 166
Consumer credit	56 420	54 248
Consumer credit	54 001	61 256
Public sector	90	311
Other segments	39 568	36 846
	999 031	934 565

The impairment for credit risks is analysed as follows:

(thousand euros)

	2013	2012
Balance on 1 January	922 284	770 476
Charge for the year net of reversals	307 064	178 259
Recovery of loans and interest charged-off	(315 552)	(179 651)
Transfers	137 730	153 200
Balance on 31 December	1 051 526	922 284

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

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

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

The impairment for credit risks, by type of credit, is as follows:

(thousand euros)

	2013	2012
Asset-backed loans	683 946	442 528
Other guaranteed loans	237 289	212 367
Unsecured loans	130 291	267 389
	1 051 526	922 284

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

(thousand euros)

	2013	2012
Asset-backed loans	32 460	135 889
Other guaranteed loans	125 739	29 465
Unsecured loans	157 353	14 297
	315 552	179 651

The recovered loans and overdue interest, performed during 2013 and during 2012, includes the amount of Euro 9 015 thousands and Euro 6 638 thousands, related with the recovery of asset-backed loans, as referred in note 14.

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

(thousand euros)

	2013						
	Impairment in an individual basis		Impairment in a portfolio basis		Total		
	Loan Value	Impairment	Loan Value	Impairment	Loan Value	Impairment	Loans net from impairment
Loans to companies	5 039 348	496 160	2 805 125	292 474	7 844 473	788 634	7 055 839
Loans to customers – Housing	8 128	772	8 265 727	166 597	8 273 855	167 369	8 106 486
Loans to customers – Others	74 272	5 739	892 743	89 784	967 015	95 523	871 492
	5 121 748	502 671	11 963 595	548 855	17 085 343	1 051 526	16 033 817

(thousand euros)

	2012						
	Impairment in an individual basis		Impairment in a portfolio basis		Total		
	Loan Value	Impairment	Loan Value	Impairment	Loan Value	Impairment	Loans net from impairment
Loans to companies	4 004 102	371 294	3 333 616	341 307	7 337 718	712 601	6 625 117
Loans to customers – Housing	446	101	8 696 646	117 733	8 697 092	117 834	8 579 258
Loans to customers – Others	70 271	788	989 686	91 061	1 059 957	91 849	968 108
	4 074 819	372 183	13 019 948	550 101	17 094 767	922 284	16 172 483

The Group's credit portfolio, which includes loans to customers, also have the guarantees granted and commitments to third parties, is splitted between impaired credit and credit not impaired is analysed as follows:

(thousand euros)

	2013	2012
Total of loans	17 085 343	17 094 769
Loans and advances to customers with impairment		
Individually significant		
Gross amount	5 121 748	4 074 819
Impairment	(502 671)	(372 183)
Net book amount	4 619 077	3 702 636
Parametric analysis		
Gross amount	2 517 444	3 022 367
Impairment	(536 755)	(524 142)
Net book amount	1 980 689	2 498 225
Loans and advances to customers without impairment	9 446 151	9 997 583
Impairment (IBNR)	(12 099)	(25 961)
	16 033 818	16 172 483

The fair value of collaterals associated to the loans to customers portfolio is analysed as follows:

(thousand euros)

	2013	2012
Loans with impairment:		
Individually significant:		
Securities and other financial assets	338 704	273 249
Residential real estate (Housing Loans)	49 058	34 041
Other real estate (Civil Construction)	3 287 983	3 451 879
Other guarantees	241 179	184 630
	3 916 924	3 943 799
Parametric analysis:		
Securities and other financial assets	61 618	81 125
Residential real estate (Housing Loans)	2 202 509	2 203 422
Other real estate (Civil Construction)	795 620	991 912
Other guarantees	110 312	127 934
	3 170 059	3 404 393
Loans without impairment:		
Securities and other financial assets	448 981	458 101
Residential real estate (Housing Loans)	13 650 872	14 102 627
Other real estate (Civil Construction)	875 747	1 226 174
Other guarantees	520 437	485 636
	15 496 037	16 272 538
	22 583 020	23 620 730

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

23. Financial assets and liabilities held for trading

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

(thousand euros)

	2013	2012
Financial assets held for trading:		
Securities		
Shares	7 809	12 337
Bonds	584	1 949
	8 393	14 286
Derivatives		
Derivatives financial instruments with positive fair value	48 142	106 800
Loans and other receivables	7 571	17 969
	55 713	124 769
	64 106	139 055
Financial liabilities held for trading:		
Securities		
Short sales	1 389	984
Derivatives		
Derivatives financial instruments with negative fair value	60 835	83 810
	62 224	84 794

The balance Derivatives financial instruments with positive fair value includes the amount of Euro 33 278 thousands (2012: Euro 80 659 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 196 thousands (2012: Euro 193 thousands).

The balance Derivatives financial instruments with negative fair value includes the amount of Euro 23 299 thousands (2012: Euro 30 652 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 2 161 thousands (2012: Euro 2 905 thousands).

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

As referred in IFRS 13, financial assets and liabilities held for trading and available for sale are valued in accordance with the following fair value measurement levels:

– Level 1: 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.

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

– Level 3 financial instruments fair value consists on the use of internal valuation techniques, mainly discounted cash flow models, or quotations provided by third parties but which imply the use of non-observable market information.

Therefore, accordingly with the hierarchy of the valuation sources, as referred in IFRS 13 these instruments are classified in the levels 1 and 2, as follows:

(thousand euros)

	2013	2012
Financial assets held for trading:		
Level 1	8 393	14 286
Level 2	48 142	106 800
Level 3	7 571	17 969
	64 106	139 055
Financial liabilities held for trading:		
Level 1	1 389	984
Level 2	60 835	83 810
	62 224	84 794

The analysis of the securities portfolio held for trading by maturity as at 31 December 2013 is as follows:

(thousand euros)

	2013				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Variable income securities:					
Shares in companies					
Portuguese	–	–	–	2 022	2 022
Foreign	–	–	–	5 787	5 787
Bonds					
Foreign			584	–	584
	–	–	584	7 809	8 393
Quoted	–	–	584	–	8 393

The analysis of the securities portfolio held for trading by maturity as at 31 December 2012 is as follows:

(thousand euros)

	2012				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Variable income securities:					
Shares in companies					
Portuguese	–	–	–	5 103	5 103
Foreign	–	–	–	7 234	7 234
Bonds					
Foreign			1 949	–	1 949
	–	–	1 949	12 337	14 286
Quoted	–	–	1 949	12 337	14 286

The book value of the assets and liabilities at fair value through profit or loss as at 31 December 2013, is as follows:

(thousand euros)

2013								
		Derivative			Related asset / liability			
Derivative	Related financial asset /liability	Notional	Fair value	Changes in the fair value in the year	Fair value	Changes in the fair value in the year	Book Value	Reimbursement amount at maturity date
Interest rate swap	Secutities issued	594 006	5 663	(6 392)	15 107	(27 808)	356 164	349 095
Interest rate swap	Deposits	89 000	(1 161)	(27 216)	(5 363)	10 168	484	362 313
Interest rate swap	Resources	185 118	9 950	(7 376)	428	(8 685)	61 023	60 000
Interest rate swap	Covered bonds	10 901 844	(4 473)	1 046	–	–	–	–
Interest rate swap	Loans	50 000	(1 965)	747	1 788	(687)	24 646	25 000
Interest rate swap	Others (TRD)	8 574 941	(20 863)	4 188	–	–	–	–
Currency swap	–	394 772	(390)	(605)	–	7	–	–
Forwards	–	39 790	(3)	(13)	–	–	–	–
Options	–	395 909	468	(317)	–	–	–	–
Credit Default Swaps	–	25 000	81	255	–	–	–	–
		21 250 380	(12 693)	(35 683)	11 960	(27 005)	442 317	796 408

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

(thousand euros)

2012								
		Derivative			Related asset / liability			
Derivative	Related financial asset /liability	Notional	Fair value	Changes in the fair value in the year	Fair value	Changes in the fair value in the year	Book Value	Reimbursement amount at maturity date
Interest rate swap	Secutities issued	875 236	12 055	324	42 915	118 476	402 913	396 115
Interest rate swap	Deposits	1 360 400	26 055	3 805	(15 531)	375	443 782	437 599
Interest rate swap	Resources	330 424	17 326	3 655	9 113	13 402	62 020	60 000
Interest rate swap	Covered bonds	11 275 036	(5 519)	(11 394)	–	6 509	–	–
nterest rate swap	Debt issued	50 000	(2 712)	(1 153)	2 475	960	25 350	25 000
Interest rate swap	Others (TRD)	9 794 173	(25 051)	(15 013)	–	–	–	–
Currency swap	–	280 482	215	(264)	(7)	28	1 554	1 516
Forwards	–	38 766	10	32	–	–	–	–
Options	–	332 394	785	787	–	–	–	–
Credit Default Swaps	–	32 500	(174)	2 897	–	–	–	–
		24 369 411	22 990	(16 324)	38 965	139 750	935 619	920 230

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

(thousand euros)

	2013					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Positive	Negative
Interest rate contracts:						
Interest rate swaps	99 900	1 647 059	18 647 950	20 394 909	41 200	54 049
Options	21 988	62 020	311 901	395 909	6 496	6 028
Exchange rate contracts:						
Interest rate swaps	394 772	–	–	394 772	311	701
Index contracts:						
Index futures	33 013	6 777	–	39 790	–	3
Credit default contracts:						
Credit default swaps	3 000	12 000	10 000	25 000	135	54
	552 673	1 727 856	18 969 851	21 250 380	48 142	60 835

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

(thousand euros)

	2012					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Positive	Negative
Interest rate contracts:						
Interest rate swaps	234 000	371 383	23 079 886	23 685 269	99 248	77 094
Options	433	19 200	312 761	332 394	6 857	6 072
Exchange rate contracts:						
Interest rate swaps	279 706	776	–	280 482	627	412
Index contracts:						
Index futures	38 766	–	–	38 766	10	–
Credit default contracts:						
Credit default swaps	–	7 500	25 000	32 500	58	232
	552 905	398 859	23 417 647	24 369 411	106 800	83 810

24. Other financial assets at fair value through profit or loss

This balance is analysed as follows:

(thousand euros)

	2013	2012
Bond issued by other issuers		
Foreign	3 450	12 300

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

Other financial assets 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 13, these instruments are classified in level 1.

The analysis of the securities at fair value through profit or loss, by maturity is as follows:

(thousand euros)

	2013	2012
Due within 3 months	2 451	–
From 1 to 5 years	999	4 257
Undetermined	–	8 043
	3 450	12 300
Quoted	3 450	12 300

25. Financial assets available for sale

This balance is analysed as follows:

(thousand euros)

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

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

(thousand euros)

	2012				
		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment Losses	Book Value
Fixed income securities:					
Issued by public entities:					
Portuguese	1 106 897	14 067	(5 049)	–	1 115 915
Foreign	95 444	1 322	(1 209)	(11 257)	84 300
Issued by other entities:					
Portuguese	364 382	655	(6 698)	(11 302)	347 037
Foreign	281 053	1 344	(21 565)	(1 049)	259 783
Commercial paper	248 708	–	–	(1 224)	247 484
Variable income securities:					
Shares in companies:					
Portuguese	12 763	108	(42)	(6 437)	6 392
Foreign	8 772	1 087	(81)	(2 596)	7 182
Investment fund units	424 457	2 860	(8 882)	(5 083)	413 352
	2 542 476	21 443	(43 526)	(38 948)	2 481 445

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

As referred in note 1 *d*), the portfolio of assets available-for-sale are presented at market value with fair value changes accounted for against fair value reserves, as referred in note 48. The Group assesses periodically whether there is objective evidence of impairment losses on the available-for-sale financial assets, following the judgment criteria's described in note 1 *aa*).

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

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

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

- The reclassification of commercial paper from financial assets available for sale to the loans and advances to customers is realized at the fair value of the debt instrument at the date of reclassification;
- No unrealized gain or loss recognized was recognized in the fair value reserve at the date of reclassification;
- The fair value of commercial paper in the reclassification date will become the new cost;
- As at the date of reclassification is determined a new effective interest rate as the basis of calculation and recognition of interest and amortized cost from that moment;
- The new effective interest rate is the rate that exactly discounts estimated future cash flows over the remaining expected life of the instruments fair value at the date of reclassification;
- A subsequent change in the fair value of the debt instrument over its new amortized cost is not recognized;
- It's performed a review of subsequent impairment taking into consideration the new amortized cost, the new effective interest rate and the expected future cash flows; and
- Any impairment loss, measured as the difference between the new amortized cost and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the new effective interest rate determined at the date of reclassification, is recognized in profit or loss.

In this context, as at 31 December 2013, the Group reclassified commercial paper portfolio from financial assets available for sale to loans and advances to customers, in the amount of Euro 755 786 thousands and impairment in the amount of Euro 21 029 thousands, as described in note 22.

As referred in note 60, the balance Variable income securities – Investment fund units includes the amount of Euro 81 498 thousands (2012: Euro 19 018 thousands) relating to units in a Fund specialized in the recovery of loans acquired under the sale of loans and advances to customers. This amount includes Euro 6 153 thousands (2012: Euro 4 874 thousands) engaged to junior securities (investment fund units with a more subordinated character), which are fully provisioned, according to note 15.

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

(thousand euros)

	2013	2012
Level 1	3 096 731	1 895 751
Level 2	527 465	136 504
Level 3	911 343	181 987
At cost acquisition	10 277	267 203
	4 545 816	2 481 445

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

(thousand euros)

	2013	2012
Balance on 1 January	38 948	30 115
Charge for the year	68 881	51 342
Write-back for the year	(34 859)	(15 668)
Charged-off	(33 704)	(26 841)
Balance on 31 December	39 266	38 948

As described in note 1 *d*), the portfolio of financial assets available for sale are presented net of the total fair value reserve and impairment. The total fair value reserve for financial assets available for sale is positive and amounts to Euro 11 352 thousands (31 December 2012: negative Euro 22 083 thousands) and impairment amounts to Euro 39 266 thousands (31 December 2012: Euro 38 948 thousands).

At 31 December 2013 and 2012, impairment losses recognized in the sovereign debt of Greece amounts to Euro 8 415 thousands, as referred in notes 15 and 59.

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

(thousand euros)

	2013				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities:					
Issued by public entities:					
Portuguese	–	26 364	3 026 819	–	3 053 183
Foreign	–	–	23 088	–	23 088
Issued by other entities:					
Portuguese	5 203	52 787	524 311	1 995	584 296
Foreign	2 086	10 504	295 170	2 882	310 642
Commercial paper	26 046	4 727	–	–	30 773
	33 335	94 382	3 869 388	4 877	4 001 982
Variable income securities:					
Shares in companies:					
Portuguese	–	–	–	13 689	13 689
Foreign	–	–	–	12 253	12 253
Investment fund units	–	–	463	517 429	517 892
	–	–	463	543 371	543 834
	33 335	94 382	3 869 851	548 248	4 545 816

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

(thousand euros)

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

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

(thousand euros)

	2013			2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed income securities:						
Issued by public entities:						
Portuguese	3 053 183	–	3 053 183	1 115 915	–	1 115 915
Foreign	23 088	–	23 088	84 300	–	84 300
Issued by other entities:						
Portuguese	554 196	30 100	584 296	319 553	27 484	347 037
Foreign	310 642	–	310 642	259 783	–	259 783
Commercial paper	–	30 773	30 773	1 766	245 718	247 484
Variable income securities:						
Shares in companies:						
Portuguese	9 095	4 594	13 689	1 380	5 012	6 392
Foreign	11 910	343	12 253	6 827	355	7 182
Investment fund units	516 620	1 272	517 892	399 207	14 145	413 352
	4 478 734	67 082	4 545 816	2 188 731	292 714	2 481 445

26. Hedging derivatives

This balance is analysed as follows:

(thousand euros)

	2013	2012
Asset		
Interest rate swap	503	931
Liability		
Interest rate swap	1 849	3 177

Hedging derivatives are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2.

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

The Group performs periodical effectiveness tests of the hedging relationships.

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

(thousand euros)

	2013	2012
Deposits from other credit institutions	(209)	(600)
Financial assets available for sale	1 478	1 987
	1 269	1 387

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

(thousand euros)

	2013							
	Notional with remaining term				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	–	39 000	53 000	92 000	–	200	(1 546)	(1 346)
	–	39 000	53 000	92 000	–	200	(1 546)	(1 346)

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

(thousand euros)

	2012							
	Notional with remaining term				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	–	23 000	92 000	115 000	–	(366)	(1 880)	(2 246)
	–	23 000	92 000	115 000	–	(366)	(1 880)	(2 246)

As at 31 December 2013, the fair value hedge relationships present the following features:

(thousand euros)

2013							
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value of derivative (1)**	**Changes in the fair value of the derivative in the year**	**Hedge item fair value (2)**	**Changes in the fair value of the hedged item in the year (2)**
Interest rate SWAP	Deposits	Interest rate	20 000	414	(389)	(209)	391
Interest rate SWAP	Financial assets available for sale	Interest rate	72 000	(1 760)	1 289	1 478	(509)
			92 000	(1 346)	900	1 269	(118)

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

As at 31 December 2012, the fair value hedge relationships present the following features:

(thousand euros)

2012							
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value of derivative (1)**	**Changes in the fair value of the derivative in the year**	**Hedge item fair value (2)**	**Changes in the fair value of the hedged item in the year (2)**
Interest rate SWAP	Deposits	Interest rate	20 000	803	108	(600)	139
Interest rate SWAP	Financial assets available for sale	Interest rate	95 000	(3 049)	878	1 987	434
			115 000	(2 246)	986	1 387	573

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

27. Held-to-maturity investments

This balance is analysed as follows:

(thousand euros)

	2013	2012
Fixed income securities:		
Bonds issued by Portuguese public entities	6 149	6 185
Bonds issued by foreign public entities	28 482	21 310
	34 631	27 495

The fair value of held-to-maturity investments portfolio is presented in note 51.

The Group assessed, with reference to 31 December 2013, the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 31 December 2011 are analysed as follows:

(thousand euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OT – Outubro 05/15-10-2015	Jul., 2005	Oct., 2015	Fixed rate of 3.35%	6 149
Netherlands Government 05/2015	Jun., 2005	Jul., 2015	Fixed rate of 3.25%	5 040
Republic of Austria 04/15-07-2015	May, 2004	Jul., 2015	Fixed rate of 3.50%	2 025
Belgium Kingdom 05/28-09-2015	Mar., 2005	Sep, 2015	Fixed rate of 3.75%	2 002
Buoni Poliennali Del Tes. 05/2015	May, 2005	Aug, 2015	Fixed rate of 3.75%	2 011
OT Angola 12/18-07-2014	Jul., 2012	Jul., 2014	Fixed rate of 6.98%	1 151
OT Angola 12/18-07-2014	Jul., 2012	Jul., 2014	Fixed rate of 6.98%	1 151
OT Angola 12/25-07-2014	Jul., 2012	Jul., 2014	Fixed rate of 6.98%	3 732
OT Angola 12/25-07-2014	Jul., 2012	Jul., 2014	Fixed rate of 6.99%	3 732
OT Angola 13/04-12-2015	Dec, 2013	Dec, 2015	Fixed rate of 7.00%	3 794
OT Angola 13/04-12-2016	Dec, 2013	Dec, 2016	Fixed rate of 7.25%	3 794
OT Cabo Verde 13/28-04-2016	Apr, 2013	Apr, 2016	Fixed rate of 5.50%	50
				34 631

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

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

As at 31 December 2013 the analysis of held-to-maturity investments by the period of maturity is as follows:

(thousand euros)

	2013				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by Portuguese public issuers	–	–	6 149	–	6 149
Bonds issued by foreign public issuers	–	9 765	18 717	–	28 482
	–	9 765	24 866	–	34 631
Quoted	–	9 765	24 866	–	34 631

As at 31 December 2012 the analysis of held-to-maturity investments by the period of maturity is as follows:

(thousand euros)

	2012				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by Portuguese public issuers	–	96	6 089	–	6 185
Bonds issued by foreign public issuers	–	–	21 310	–	21 310
	–	96	27 399	–	27 495
Quoted	–	96	27 399	–	27 495

28. Investments in associated companies and others

This balance is analysed as follows:

(thousand euros)

	2013	2012
Investments in associated companies		
Montepio Seguros, S.G.P.S., S.A.	22 031	–
Nutre S.G.P.S., S.A.	15 936	18 242
HTA – Hotéis, Turismo e Animação dos Açores, S.A	3 412	3 460
Iberpartners Cafés S.G.P.S., S.A.	1 020	997
Pinto & Bulhosa, S.A.	191	191
Naviser – Transportes Maritimos Internacionais, S.A.	150	150
Lusitania Vida, Companhia de Seguros, S.A.	–	20 596
Lusitania, Companhia de Seguros, S.A.		17 541
Unquoted	42 740	61 177
Impairment of investments in associated companies and other	(341)	(341)
	42 399	60 836

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

(thousand euros)

	Assets	Liabilities	Equity	Income	(Loss) for the year	Acquisition cost
31 December 2013						
Montepio Seguros, S.G.P.S., S.A.	998 162	924 847	73 315	248 293	(23 864)	65 100
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	43 416	26 357	17 059	8 200	(1)	3 200
Iberpartners Cafés S.G.P.S., S.A.	5 117	1 644	3 473	151	79	1 000
Nutre S.G.P.S., S.A.	173 314	140 377	32 937	8 868	(9 654)	22 018
31 December 2012						
Lusitania, Companhia de Seguros, S.A	522 559	442 860	79 699	212 334	(15 706)	29 566
Lusitania Vida, Companhia de Seguros, S.A.	497 552	445 090	52 462	51 628	5 158	9 530
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	45 731	28 302	17 429	7 638	(596)	3 200
Iberpartners Cafés S.G.P.S., S.A.	4 983	1 593	3 390	41	(41)	1 000
Nutre S.G.P.S., S.A.	172 274	127 930	44 344	62 698	(7 232)	21 018

(thousand euros)

	Percentage held		Book value		Associated companies net profit	
	2013 %	2012 %	2013	2012	2013	2012
Montepio Seguros, S.G.P.S., S.A.	33.65	–	22 031	–	(7 926)	–
Lusitania, Companhia de Seguros, S.A.	–	25.65	–	17 541	–	(7 205)
Lusitania Vida, Companhia de Seguros, S.A.	–	39.34	–	20 596	–	1 970
HTA – Hóteis, Turismo e Animação dos Açores, S.A.	20	20	3 412	3 460	–	(145)
Iberpartners Cafés S.G.P.S., S.A.	29.41	29.41	1 020	997	–	(13)
Nutre S.G.P.S., S.A.	20	20	15 936	18 242	(1 931)	(1 446)
Pinto & Bulhosa, S.A.	16	16	–	–	–	–
Naviser – Transportes Marítimos Internacionais, S.A.	20	20	–	–	–	–

The movements for this balance are analysed as follows:

(thousand euros)

	2013	2012
Balance on 1 January	61 177	58 197
Acquisitions	65 100	6 000
Share of profit of associates	(12 682)	(6 086)
Fair value reserve from associates	(31 774)	8 722
Dividends received	(944)	(866)
Disposals	(38 137)	(4 790)
Balance on 31 December	42 740	61 177

At the end of 2013, under the restructuring of Group Montepio Geral was undertaken a reorganization of the financial investments associated with the insurance and pension sectors. In this context, on 27 December 2013 was created Montepio Seguros, S.G.P.S., S.A. in order to manage the equity of the mentioned sectors.

The Group sold the shares directly held in Lusitania Vida – Companhia de Seguros, S.A. and Lusitania – Companhia de Seguros, S.A. to Montepio Seguros, S.G.P.S., S.A., having both been reimbursed for supplementary capital contributions in the amount of Euro 18 750 thousands. Additionally, acquired 33.65% of the capital of Montepio Seguros, S.G.P.S., S.A. for Euro 46 350 thousands, and carried supplementary capital contributions in the amount of Euro 18 750 thousands.

After this operation, the capital of Montepio Seguros, which is fully paid, rose to Euro 137 750 thousands, being arrested in 52.63% by Montepio Geral – Associação Mutualista, in 33.65% by the Group, in 8.35% by Lusitania, in 3.37% by Futuro and in 2.11% by Lusitania Vida.

These shares presented a balance amount of Euro 15 096 thousands, giving rise to a gain of Euro 31 254 thousands, as described in notes 7 and 9. This operation can be analysed as follows:

(thousand euros)

	Balance amount	Sell amount	Gain
Lusitania Vida – Companhia de Seguros, S.A.	20 484	32 162	11 678
Lusitania – Companhia de Seguros, S.A.	(5 807)	13 623	19 430
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	419	565	146
	15 096	46 350	31 254

29. Non-current assets held for sale

This balance is analysed as follows:

(thousand euros)

	2013	2012
Investments arising from recovered loans	773 540	521 849
Impairment for non-current assets held for sale	(92 152)	(30 054)
	681 388	491 795

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

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

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

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

(thousand euros)

	2013	2012
Balance on 1 January	521 849	168 102
Acquisitions	458 304	461 505
Sales	(207 351)	(69 216)
Other movements	738	(38 542)
Balance on 31 December	773 540	521 849

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

(thousand euros)

	2013	2012
Balance on 1 January	30 054	31 091
Impairment for the year	71 885	32 912
Write-back for the year	(9 787)	(32 400)
Loans charged-off	–	(1 549)
Balance on 31 December	92 152	30 054

30. Investment properties

The balance Investment properties considers the real estate properties owned by «Finipredial – Fundo de Investimento Aberto», «Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional» and «Fundo Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular», which are fully consolidated, according to the accounting policy described in note 1 *b*).

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

30. Property and equipment

This balance is analysed as follows:

(thousand euros)

	2013	2012
Cost:		
Land and buildings:		
For own use	34 577	35 288
Leasehold improvements in rented buildings	52 695	70 733
Construction in progress	21 968	2 547
Equipment:		
Furniture	21 796	20 635
Office equipment	3 354	3 292
Computer equipment	84 367	92 550
Interior installations	21 359	25 467
Motor vehicles	4 803	4 835
Security equipment	7 678	9 474
Other equipment	5	5
Works of art	2 869	2 869
Assets in operacional lease	25 653	10 365
Assets in finance lease	38	38
Other tangible assets	2 439	2 454
Work in progress	2 038	1 351
	285 639	281 903
Accumulated depreciation:		
Charge for the year	(19 737)	(24 748)
Accumulated charge for the previous years	(145 410)	(160 580)
	(165 147)	(185 328)
	120 492	96 575

The Property and equipment movements, during the year of 2013, are analysed as follows:

(thousand euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Land and buildings:					
For own use	35 288	175	(306)	(580)	34 577
Leasehold improvements in rented buildings	70 733	104	(18 904)	762	52 695
Construction in progress	2 547	22 015	–	(2 594)	21 968
Equipment:					
Furniture	20 635	1 568	(375)	(32)	21 796
Office equipment	3 292	103	(57)	16	3 354
Computer equipment	92 550	1 863	(10 133)	87	84 367
Interior installations	25 467	408	(4 594)	78	21 359
Motor vehicles	4 835	610	(591)	(51)	4 803
Security equipment	9 474	114	(1 884)	(26)	7 678
Other equipment	5	–	–	–	5
Works of art	2 869	–	–	–	2 869
Assets in operacional lease	10 365	18 831	(3 543)	–	25 653
Assets in finance lease	38	–	–	–	38
Other tangible assets	2 454	–	–	(15)	2 439
Work in progress	1 351	4 632	–	(3 945)	2 038
	281 903	50 423	(40 387)	(6 300)	285 639
Accumulated depreciation:					
Land and buildings:					
For own service	9 386	964	(579)	(752)	9 019
Leasehold improvements in rented buildings	46 066	5 336	(19 028)	573	32 947
Equipment:					
Furniture	16 705	970	(354)	(72)	17 249
Office equipment	2 967	96	(58)	(27)	2 978
Computer equipment	77 373	6 537	(10 124)	(219)	73 567
Interior installations	16 188	1 671	(4 590)	96	13 365
Motor vehicles	4 380	92	(576)	(244)	3 652
Security equipment	7 224	1 420	(1 884)	(157)	6 603
Other equipment	5	–	–	–	5
Assets in operacional lease	3 191	2 479	(1 673)	(258)	3 739
Assets in finance lease	38	–	–	–	38
Other tangible assets	1 805	172	-	8	1 985
	185 328	19 737	(38 866)	(1 052)	165 147

The Property and equipment movements, during the year of 2012, are analysed as follows:

(thousand euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Land and buildings:					
For own use	36 699	–	(870)	(541)	35 288
Leasehold improvements in rented buildings	67 653	250	–	2 795	70 698
Construction in progress	35	–	–	–	35
Equipment:					
Furniture	20 921	96	(344)	(38)	20 635
Office equipment	3 364	16	(84)	(4)	3 292
Computer equipment	85 661	8 290	(1 386)	(15)	92 550
Interior installations	23 382	963	(1)	1 123	25 467
Motor vehicles	5 126	300	(583)	(8)	4 835
Security equipment	9 846	74	(436)	(10)	9 474
Other equipment	5	–	–	–	5
Works of art	2 755	114	–	–	2 869
Assets in operacional lease	9 561	2 627	(1 869)	46	10 365
Assets in finance lease	38	–	–	–	38
Other tangible assets	2 406	54	–	(6)	2 454
Work in progress	5 858	2 083	–	(6 590)	1 351
	273 310	14 867	(5 573)	(701)	281 903
Accumulated depreciation:					
Land and buildings:					
For own service	7 921	1 881	(278)	(142)	9 386
Leasehold improvements in rented buildings	37 870	8 936	(605)	–	46 201
Equipment:					
Furniture	15 869	1 070	(267)	–	16 672
Office equipment	2 893	127	(56)	–	2 964
Computer equipment	70 565	7 805	(1 344)	–	77 026
Interior installations	14 502	1 757	(125)	–	16 1348
Motor vehicles	4 445	117	(323)	–	4 239
Security equipment	6 605	930	(311)	–	7 224
Other equipment	5	–	–	–	5
Assets in operacional lease	2 302	1 481	(610)	–	3 173
Assets in finance lease	38	–	–	–	38
Other tangible assets	1 638	182	(12)	–	1 809
	164 653	24 748	(3 931)	(142)	185 328

32. Intangible assets

This balance is analysed as follows:

(thousand euros)

	2013	2012
Cost:		
Software	59 307	64 565
Revaluation and consolidation differences (Goodwill)	53 024	53 024
Other intangible assets	5 609	8 590
Work in progress	216	87
	118 156	126 266
Accumulated depreciation:		
Charge for the year	(13 615)	(18 808)
Accumulated charge for the previous years	(18 750)	(21 899)
	(32 365)	(40 707)
Impairment for intangible assets	(26 512)	(26 512)
	59 279	59 047

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

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

In accordance with IAS 36 the recoverable amount of goodwill should be the greater between its value on use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on this criteria, the Group made 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 Executive Board of Directors on the economic conditions that affect each entity, the budgets and the latest projections approved by the Executive Board of Directors for those entities and their extrapolation to future periods. The assumptions made for these assessments may vary with the change in economic conditions and in the market.

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

The Executive Board of Directors concluded for the need to reflect in the consolidated financial statements as at 2012, a prudent perspective compared to the results of the referred revaluation. Based on the above, it was accounted an impairment of the total value of the goodwill associated with the participation of ex-Finibanco Group, in the amount of Euro 26 512 thousands.

The Intangible assets movements, during the year of 2013, are analysed as follows:

(thousand euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost:					
Software	64 565	16 795	(22 109)	56	59 307
Revaluation and consolidation differences (Goodwill)	53 024	–	–	–	53 024
Other intangible assets	8 590	–	–	(2 981)	5 609
Work in progress	87	905	–	(776)	216
	126 266	17 700	(22 109)	(3 701)	118 156
Accumulated depreciation:					
Software	40 707	13 615	(22 107)	150	32 365
	40 707	13 615	(22 107)	150	32 365

The Intangible assets movements, during the year of 2012, are analysed as follows: :

(thousand euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost:					
Software	68 961	19 348	(23 862)	118	64 565
Revaluation and consolidation differences (Goodwill)	53 024	–	–	–	53 024
Other intangible assets	13 286	–	(32)	(4 664)	8 590
Work in progress	707	145	(520)	(245)	87
	135 978	19 493	(24 414)	(4 791)	126 266
Accumulated depreciation:					
Software	45 773	18 808	(23 855)	(19)	40 707
	45 773	18 808	(23 855)	(19)	40 707

The Intangible assets impairment movements are analysed as follows:

(thousand euros)

	2013	2012
Balance on 1 January	26 512	–
Charges for the year	–	26 512
Balance on 31 December	26 512	26 512

33. Taxes

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

Deferred income tax assets and liabilities as at 31 December 2013 and 31 December 2012 are analysed as follows:

(thousand euros)

	Assets		Libilities		Net	
	2013	2012	2013	2012	2013	2012
Financial instruments	17 784	3 749	(25 872)	–	(8 088)	3 749
Other tangible assets	(24)	(26)	(421)	(459)	(445)	(485)
Provisions	195 784	153 229	–	–	195 784	153 229
Benefits to employees	40 063	41 784	–	(74)	40 063	41 710
Others	1 151	–	(3 926)	–	(2 775)	–
Tax losses carried forward	111 725	67 251	–	–	111 725	67 251
Net deferred tax assets/(liabilities)	366 483	265 987	(30 219)	(533)	336 264	265 454

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

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

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

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

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

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

The deferred tax rate is analysed as follows:

	2013 %	2012 %
Income tax (*a*)	23.0	25.0
Municipal surtax rate	1.5	1.5
State tax rate	5.0	2.5
Total (*b*)	29.5	29.0

(*a*) Applicable to deferred taxes related to tax losses.

(*b*) Applicable to deferred taxes related to temporary differences.

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

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

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

(thousand euros)

Year of expiry	2013
2014	10 542
2015	4 606
2017	52 103
2018	44 474
	111 725

Deferred tax balance movements were recognized as follows:

(thousand euros)

	2013	2012
Balance on 1 January	265 454	80 657
Charged to profit	85 448	177 914
Charged to reserves and retained earnings	(14 638)	6 883
Balance on 31 December	336 264	265 454

Tax recognized in the income and reserves for the periods ended 31 December, 2013 and 2012 is analysed as follows:

(thousand euros)

	2013		2012	
	Charged to results	Charged to reserves	Charged to results	Charged to reserves
Financial instruments	–	(8 088)	–	(14 887)
Other tangible assets	–	40	(1 444)	5
Provisions	42 555	–	117 128	–
Post-employment benefits	909	(2 556)	10 979	22 318
Others	(2 490)	(4 034)	–	–
Tax losses carried forward	44 474	–	51 251	(553)
Deferred taxes	85 448	(14 638)	177 914	6 883
Current taxes	(9 469)	–	(6 963)	–
Total recognized tax	75 979	(14 638)	170 951	6 883

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

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

(thousand euros)

	2013		2012	
	%	Amount	%	Amount
Profit before taxes		(372 452)		(134 804)
Banking levy		5 109		4 621
Profit before tax for the tax reconciliation		(367 343)		(130 183)
Statury tax rate	25.0		25.0	
Income tax calculated based on the statury tax rate		(91 836)		(32 546)
Non deductible costs	50.7	186 332	68.2	(88 729)
Tax-exempt profits	(9.3)	(34 097)	36.7	(47 715)
Utilization of tax losses	–	–	3.4	(4 423)
Autonomous taxation and other taxes	2.6	9 469	(1.2)	1 584
Other	1.6	6 111	(0.7)	878
Tax for the year	20.4	75 979	126.8	(170 951)

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

34. Other assets

This balance is analysed as follows:

(thousand euros)

	2013	2012
Recoverable subsidies from Portuguese Government	8 111	9 736
Other debtors	122 190	136 948
Other accrued income	8 998	6 328
Prepayments and deferred costs	2 448	6 690
Sundry debtors	42 246	321 821
	183 993	481 523
Impairment for other assets	(11 732)	(3 636)
	172 261	477 887

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

As at 31 December 2013 and 31 December 2012, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(thousand euros)

	2013	2012
Recoverable subsidies from the Portuguese Government unliquidated	3 381	4 275
Subsidies unclaimed	762	1 543
Overdue subsidies unclaimed	3 968	3 918
	8 111	9 736

The balance Sundry debtors includes, as at 31 December 2013, the amount of Euro 8 027 thousands (2012: 157 010 Euro thousands) refer to transactions with securities recorded on trade date and pending settlement.

The balance Sundry debtors also includes the amount of Euro 1 572 thousands (2011: Euro 57 667 thousands) relating to net assets recognized in balance sheet and representing the excess coverage of pension liabilities, health benefits and death subsidies, as described in note 52.

The impairment for Other assets is analysed as follows:

(thousand euros)

	2013	2012
Balance on 1 January	3 636	1 037
Impairment for the year	1 654	1 085
Write-back for the year	(2 470)	–
Loans charged-off	–	(1 000)
Transfers	8 912	2 514
Balance on 31 December	11 732	3 636

35. Deposits from central banks

As at 31 December 2013 and 2012, this balance is related to deposits obtained in the European System of Central Banks and is covered by securities from the available-for-sale portfolio pledged as collaterals portfolio of financial assets available-for-sale.

The analysis of deposits from Central Banks by the period to maturity is as follows:

(thousand euros)

	2013	2012
Up to 3 months	1 768 860	110 007
More than 6 months	1 658 494	1 666 507
	3 427 354	1 776 514

36. Deposits from other financial institutions

This balance is analysed as follows:

(thousand euros)

	2013			2012		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal	143	53 321	53 464	850	48 348	49 198
Deposits from credit institutions abroad	40 668	380 365	421 033	60 706	515 802	576 508
	40 811	433 686	474 497	61 556	564 150	625 706

The balance Deposits from other credit institutions, analysed by the period of maturity, is as follows:

(thousand euros)

	2013	2012
Up to 3 months	31 534	68 240
3 to 6 months	96 279	10 772
6 months to 1 year	62 215	31 356
1 year to 5 years	52 076	348 871
More than 5 years	232 612	174 973
	474 716	634 212
Adjustments arising from hedging operations	(219)	(8 506)
	474 497	625 706

As at 31 December 2013, this balance includes the amount of Euro 71 094 thousands (2012: Euro 65 280 thousands) related to deposits at fair value through profit or loss.

37. Deposits from customers

This balance is analysed as follows:

(thousand euros)

	2013			2012		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	256 309	2 233 635	2 489 944	164 245	2 053 014	2 217 259
Time deposits	–	11 497 167	11 497 167	–	10 845 501	10 845 501
Saving accounts	–	130 589	130 589	–	170 577	170 577
Other items	19 765	–	19 765	6 579	–	6 579
Adjustments arising from hedging operations	5 363	–	5 363	15 531	–	15 531
	281 437	13 861 391	14 142 828	186 355	13 069 092	13 255 447

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

As at 31 December 2013, this balance includes the amount of Euro 374 226 thousands (2012: 437 599 thousands) related to deposits recognized 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:

(thousand euros)

	2013	2012
Deposits repayable on demand	2 489 944	2 217 259
Time deposits and saving accounts		
Due within 3 monthss	1 971 032	1 976 072
3 months to 6 months	3 184 516	2 989 061
6 months to 1 year	2 111 418	1 558 093
1 year to 5 years	4 292 374	4 420 209
Over 5 years	68 416	72 643
	14 117 700	13 233 337
Adjustments arising from hedging operations	5 363	15 531
	14 123 063	13 248 868
Other items		
Due within 3 months	19 765	6 579
	14 142 828	13 255 447

38. Debt securities issued

This balance is analysed as follows:

(thousand euros)

	2013	2012
Euro Medium Term Notes (EMTN)	357 803	708 970
Bonds	1 717 872	1 010 123
Covered bonds	80	63
Commercial paper	243 673	643 180
	2 319 428	2 362 336

The fair value of the debts securities issued is presented in note 51.

As at 31 December 2013, this balance includes the amount of Euro 273 233 thousands (2012: Euro 307 844 thousands) related to debt securities issued recognized at the balance sheet at fair value through profit or loss.

During 2013, the Group issued Euro 1 515 987 thousands (2012: Euro 1 182 612 thousands) of debt securities and performed the refund of Euro 1 250 588 thousands (2012: Euro 1 277 664 thousands).

As at 31 December 2013 and 2012, the analysis of debt securities issued outstanding by period to maturity is as follows:

(thousand euros)

	2013	2012
Due within 6 months	304 704	697 685
6 months to 1 year	366 563	302 635
1 year to 5 years	1 492 150	1 191 066
Over 5 years	162 958	201 921
	2 326 375	2 393 307
Adjustments arising from hedging operations	(6 947)	(30 971)
	2 319 428	2 362 336

Under the Issuance of covered bonds program, which maximum amount is Euro 5 000 million, the Group proceed to the emissions which totalized Euro 2 000 million. The main characteristics of these issues are as follows:

(thousand euros)

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody's/ /Fitch/Dbrs)
Covered bonds – 2S	1 000 000	1 000 456	Dec. 2009	Dec. 2016	Quarterly	Euribor 3M+0.75%	Ba1/BBB/AL
Covered bonds – 3S	500 000	502 158	Nov. 2010	Nov. 2015	Quarterly	Euribor 3M+2.5%	Ba1/BBB/AL
Covered bonds – 4S	500 000	500 123	May 2013	May 2017	Annually	Euribor 1M+0.75%	Ba1/BBB/AL
	2 000 000	2 002 737					

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.

The amount of credits that collateralize these emissions is higher than Euro 2 718 554 thousands (2012: Euro 2 816 016 thousands), in 31 December, 2013, according with note 22.

The change occurred in debt securities issued during the year ended 31 December 2013 is analysed as follows:

(thousand euros)

	Balance on 1 January	Issues	Repayments	Net repurchase	Other movements (*a*)	Balance on 31 December
Euro Medium Term Notes (EMTN)	708 970	–	(521 698)	147 900	22 631	357 803
Bonds	1 010 123	791 347	(103 265)	–	19 667	1 717 872
Covered bonds	63	500 000	–	(500 000)	17	80
Commercial paper	643 180	224 640	(625 625)	–	1 478	243 673
	2 362 336	1 515 987	(1 250 588)	(352 100)	43 793	2 319 428

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

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

(thousand euros)

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

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

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

As at 31 December 2012, the balance Debt securities issued is comprise of the following issues:

(thousand euros)

Issue	Issue date	Maturity date	Interest Rate	Book value
OBRIGS CAIXA-MONTEPIO INFLACCAO-2008-2016 1 SER. - EOK EUR AF08 3Y4S	25-06-2008	16-06-2016	Annual fixed rate of 3.2% + Annual European inflation rate	4 100
OBRIGS CAIXA-CRPC-SETEMBRO-2009-2014 - DBB CRPC SET09 14	03-09-2009	04-09-2014	Fixed Annual Rate of 6%	3 400
OBRIGS CAIXA-CRPC-SETEMBRO-2009-2017 - DBB CRPC SET09 17	03-09-2009	04-09-2017	Fixed Annual Rate of 3.75% (From 6th to 7th year a fixed rate of 3.75%, 8th year a fixed rate of 6.75%)	1 300
OBRIGS CAIXA-CRPC-2009-2014-8.SERIE - EOJ CRPC 09 14 8S	13-11-2009	12-11-2014	Fixed Annual Rate of 5.75%	2 400
OBRIG.CX-MONTEPIO TX FIXA 2010/14 1SER. - EOM-TX FX10 14 1S	29-01-2010	29-01-2014	Interests are paid on a semiannual base with a fixed rate of 3.5%	9 806
OBRIGS CAIXA-MONTEPIO CABAZ OURO E PETROLEO - EOM-CABAZ OURO	02-03-2010	03-03-2014	At the maturity, the investor will receive the maximum between 4% and the annual performance , with a maximum of 28%	3 705
OBRIG.CX-MONTEPIO TX FIXA 2010/14 2SER. - EON-MGTXFX1014 2S	23-03-2010	23-03-2014	Fixed Annual Rate of 3.5%	20 000
OBRIGS CAIXA-MG TAXA FIXA CRESCENTE ABRIL-2010-2015 - EON-MGTX FX ABRIL	19-04-2010	19-04-2015	Fixed Annual Rate of 3% (4h year a fixed rate of 3%, 5th year a fixed rate of 3.5%)	500
OBRIGS CAIXA-MG TOP-2010-2014-1. SERIE - EOO-TOP 10 14 1S	31-05-2010	02-06-2014	Fixed Annual Rate of 3.25%	520
OBRIGS CAIXA-CABAZ ENERGIA-2010-2014 - EOO-CB ENERG10 14	31-05-2010	02-06-2014	At a maturity, the investor will receive the maximum between 4% ande the performance of underly ing (Equity portofolio energy)	2 201
OBRIGS CAIXA-MG CAPITAL CERTO-2010-2018 -2.-SERIE - EOO-CRPC 10 18 2S	21-07-2010	22-07-2018	Fixed Annual Rate of 2.5% (5th year a fixed rate of 2.75%; 6th year a fixed rate of 3%; 7th year a fixed rate of 3.5%, 8th year a fixed rate of 5%)	850
OBRIGS CAIXA-MG TAXA FIXA JULHO 2010/2014 - EOO-MG TXFX 10 14	30-07-2010	30-07-2014	Fixed Annual Rate of 3.5%	22 747
OBRIGS CAIXA-MG TAXA FIXA AGOSTO -2010-2014 - EOP-MG TXFX 10 14	31-08-2010	31-08-2014	Fixed Annual Rate of 3.5%	15 914
OBRIGS CAIXA-MG TAXA FIXA SETEMBRRO 2010-2020 - EOP-MGTXFXSET10 20	09-09-2010	09-09-2020	Fixed Annual Rate of 4%	200
OBRIGS CAIXA-MG TAXA FIXA SETEMBRRO 2010-2014 - EOP-TXFX SET10 14	30-09-2010	30-09-2014	Fixed Annual Rate of 3.5%	9 967
OBRIGS CAIXA-MG TELECOMUNICACOES -DEZEMBRO 2010-2014 - EOP-MG TELEC 14	20-12-2010	20-12-2014	Interest = Max [2%; Min(performance,40%)]	558
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 -1.SERIE - EOP CRPC11 16 1S	27-01-2011	28-01-2016	Fixed Annual Rate of 4.03% (4th year a fixed rate of 4.28%, 5th year a fixed rate of 5.28%)	22 250
OBRIGS CAIXA-MG TAXA FIXA JANEIRO 2011-2015 15 - EOQ TXFX JAN11	08-02-2011	08-02-2015	Fixed Annual Rate of 4%	19 918
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 -2.SERIE - EOQ CRPC 11 16 2S	24-02-2011	25-02-2016	Fixed Annual Rate of 4.2% (4th year a fixed rate of 4.3%, 5th year a fixed rate of 5.6%)	22 300
OBRIGS CAIXA-MG TAXA CRESCENTE FEVEREIRO 2016 - EOQ TXCRESC FEV16	02-03-2011	25-02-2016	Fixed Annual Rate of 4.2% (4th year a fixed rate of 4.3%, 5th year a fixed rate of 5.6%)	9 050
OBRIGS CAIXA-MONTEPIO TOP EUROPA - MARCO 2011/2015 - EOQ MGTXFX MAR 13	09-03-2011	09-03-2015	At the maturity, the investor will receive the interest indexed to the performance of the Euro Stoxx50 index and Gold price	4 970
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 -3.SERIE - EOQ-CRPC11 16 3S	31-03-2011	01-04-2016	Fixed Annual Rate of 4.25% (4th year a fixed rate of 4.5%, 5th year a fixed rate of 5.5%)	19 250
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019 -1.SERIE - EOQ-CRPC11 19 1S	31-03-2011	01-04-2019	Fixed Annual Rate of 4.65% (4th year a fixed rate of 4.65%, 5th year and 6th year fixed rate of 5%, 7th year and 8th year fixed rate of 6.5%)	2 050
OBRIGS CAIXA-MG TAXA CRESCENTE ABRIL 2016 - EBE-MGTX CR ABR16	06-04-2011	01-04-2016	Fixed Annual Rate of 4.5% (4th year a fixed rate of 4.75%, 5th year a fixed rate of 5.75%)	3 800
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 -4.SERIE - EBE-CRPC 11 16 4S	28-04-2011	29-04-2016	Fixed Annual Rate of 4.25% (4th year a fixed rate of 4.5%, 5th year a fixed rate of 5.5%)	14 800
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 -5.SERIE- EBE-CRPC 11 16 5S	26-05-2011	27-05-2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	13 000

(thousand euros)

Issue	Issue date	Maturity date	Interest Rate	Book value
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019 -2.SERIE - EBE-CRPC 11 19 2S	26-05-2011	27-05-2019	Fixed Annual Rate of 5.15% (4th year a fixed rate of 5.15%, 5th year ande 6th year a fixed rate of 5.5%; 7th year a fixed rate of 6%, 8th year a fixed rate of 7%)	2 500
OBRIGS CAIXA-MG TAXA CRESCENTE JUN2011-ABR2016 - EBE - TX CRES ABR16	08-06-2011	29-04-2016	Fixed Annual Rate of 4.5% (4th year a fixed rate of 4.75%, 5th year a fixed rate of 5%)	500
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 -6.SERIE - EBE - CRPC 11 16 6S	30-06-2011	01-07-2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	10 000
OBRIGS CAIXA-MG CAPITAL CERTO 1795 DIAS 2011/2016 - EOC - MG CAPCER1795	04-08-2011	29-07-2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	7 850
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019 -3 SERIE - EOC CRPC 11 19 3S	07-09-2011	01-07-2019	Fixed Annual Rate of 5.15% (4th year a fixed rate of 5.15%, 5th year ande 6th year a fixed rate of 5.5%; 7th year a fixed rate of 6%, 8th year a fixed rate of 7%)	4 900
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 -7 SERIE - EOC CRPC 11 16 7S CEMG5	07-09-2011	01-09-2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	9 950
OBRIGS CAIXA-FNB DEZEMBRO 07/17 - EOS-FNB DEZ 0717A	20-12-2010	19-12-2017	1st year a fixed rate of 5%; Over 2nd year interest is calculated = Mínimum [15 * (30 Yr Swap Rate – 10 Yr Swap Rate) + 0.75%;15 * (10 Yr Swap Rate – 2 Yr Swap Rate) + 1.25%], of the index with a minimum of 0% and a maximum of 6,5%	23 906
OBRIGS CX-MG CAPITAL CERTO 2016-11.ª SER	20-01-2012	01-12-2016	Fixed semiannual rate of 6.36% (6th semester a fixed rate of 4.5%, 7th and 8th Semester a fixed rate of 6.68%, 9th and 10th Semester a fixed rate of 5.75%)	2 500
OBRIGS CX-MG CAPITAL CERTO 2016-12.ª SER	20-01-2012	29-12-2016	Fixed semiannual rate of 6.026% (5th and 6th semester a fixed rate of 6.839%, 7th and 8th semester a fixed rate of 7.6515%, 9th e 10th semester a fixed rate of 11.714%)	4 000
OBRIGS CX-MG CAPITAL CERTO 2012/17-1.ª S	31-01-2012	01-02-2017	Fixed semiannual rate of 6.026% ((5th and 6th semester a fixed rate of 6.861%, 7th and 8th semester a fixed rate of 7.686%, 9th e 10th semester a fixed rate of 10.162%)	5 650
OBGS CX-MG CAPITAL CERTO 2012/17-1.ª SER	28-02-2012	01-03-2017	Fixed Annual Rate of 5.6667% (3rd year a fixed rate of 6.50%, 4th year a fixed rate of 7.3333%, 5th year a fixed rate of 9.8333%)	9 750
OBRIGS CX-MG CAP CERTO 2012/2017-3.ª SER	30-03-2012	31-03-2017	Fixed Annual Rate of 4.9539% (3rd year a fixed rate of 5.2830%, 4th year a fixed rate of 5.6122%, 5th year a fixed rate of 6.5997%)	30 000
OBRIGS CX-CRPC-2012/20-1.ª SER	30-03-2012	31-03-2020	Fixed Annual Rate of 5.25% (3rd year and 4th year a fixed rate of 6%, 5th year a fixed rate of 6.75%; 6th year, 7th year and 8th year of Max[6.25% e Min (IPC+2%;9.15%)]	4 400
OBRIGS CX-MG CAPI CERTO 2012/17-4.ª SER	30-04-2012	01-05-2017	Fixed Annual Rate of 4.80% (3th year a fixed rate of 5.10%, 4th year a fixed rate of 5.40%, 5th year a fixed rate of 6.35%)	68 000
OBRIGS CX-MG CAPITAL CERTO 2012/17-5.ª S	31-05-2012	01-06-2017	Fixed Annual Rate of 6.8874%(3th year a fixed rate of 8.8782%; 4th year a fixed rate of 9.6247%, 5th year a fixed rate of 13.6063%)	8 700
OBRIGS CAIXA-MG CAP CERTO 2012/20-2.ª SE	31-05-2012	01-06-2020	Fixed Annual Rate of 8.2583% (3rd year a fixed rate of 8.2583%; 4th year a fixed rate of 9.7083%; 5th year a fixed rate of 10.7250%; 6th year a fixed rate of 7.4750%; 7th year a fixed rate of 8.3% , 8th year a fixed rate of 11.1583%)	600
OBRIG CX-Mg PARTIC junho-junho-2012/14	04-06-2012	04-06-2014	Fixed Annual Rate of 5.00%	923
OBRIGS CX-MG TAXA FIXA-JUNHO 2012/2014	27-06-2012	27-06-2014	Fixed semiannual Rate of 5.00% (4th Semester a fixed rate of 5.00%)	21 919
OBRIGS CX-MG CAP CERTO 2012/2017-6.ª S	29-06-2012	30-06-2017	Fixed Annual Rate of 7.27% (3rd year a fixed rate of 8.02%; 4th year a fixed rate of 9.27%, 5th year a fixed rate of 12.77%)	5 000

(thousand euros)

Issue	Issue date	Maturity date	Interest Rate	Book value
OBRIGACOES CAIXA-MONTEPIO PARTICULAR JULHO -2012-2014 - EOM MG PART JULHO	09-07-2012	09-07-2014	Fixed Annual Rate of 5%	20 240
OBRIGACOES CAIXA-MONTEPIO CABAZ ACOES JUNHO 2012/2015 - EOMMGCABAZ ACOES	11-07-2012	11-07-2015	On maturity the investor will receive 50% of average performance of the index with a minimum of 3.75% and a maximum 30%	2 272
OBRIGACOES CAIXA-MONTEPIO PARTICULAR JUL/12 23072014 - EBE-MGPART 230714	23-07-2012	23-07-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	330
OBRIGACOES CAIXA-MONTEPIO PARTICULAR JUL/12 24072014 - EOF-MGPART 240714	24-07-2012	24-07-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	900
OBRIGACOES CAIXA-MONTEPIO PARTICULAR JUL/12 25072014 - EOF-MGPART 250714	25-07-2012	25-07-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	400
OBRIGACOES CAIXA-MONTEPIO TAXA FIXA JULHO-2012-2014	25-07-2012	25-07-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	50 000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 -7.SERIE	31-07-2012	01-08-2017	Fixed Annual Rate of 8.40% (3rd year a fixed rate of 8.65%; 4th year fixed rate of 10.40%; 5th year a fixed rate of 11.90%)	6 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/12 03082014	03-08-2012	03-08-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/12 06082015	06-08-2012	06-08-2015	Interests are paid on a semiannual base with a fixed rate of 5.25 % (4th semester a fixed rate of 5.25%; 5th semester and 6th semester a fixed rate of 5.35%)	1 025
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/12 08082014	08-08-2012	08-08-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	450
OBRIG.CX-MONTEPIO TX FIXA AGOSTO 2012-2014	16-08-2012	16-08-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	59 983
OBRIG.CX-MONTEPIO TX FIXA 24 AGOSTO 2012-2014	24-08-2012	24-08-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	78 002
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/12 31082014	31-08-2012	31-08-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	280
OBRIGS CAIXA-MONTEPIO CAPITAL CERTO 2012-2020 -3.ª SERIE - EOK CRPC12 20 3S	31-08-2012	01-09-2020	Fixed Annual Rate of 5.25% (3th year and 4th year a fixed rate of 6%; 5th year a fixed rate of 6.5%; 6thyear, 7th year, 8th year a fixed rate of Max [6.25% ; Min(IPC+2% ; 9.15%)]	1 345
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 -8.SERIE 4.º ano:	31-08-2012	01-09-2017	Fixed Annual Rate of 9.7667% (3rd year a fixed rate of 10.9333%; 4th year a fixed rate of 12.1%; 5th year a fixed rate of 10.7%)	9 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 03092014	03-09-2012	03-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	265
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 05092014	05-09-2012	05-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	2 300
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 12092014	12-09-2012	12-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	495
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 14092014	14-09-2012	14-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	400
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 17092014	17-09-2012	17-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	1 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 19092014	19-09-2012	19-09-2015	Interests are paid on a semiannual base with a fixed rate of 5.25 % (3rd year a fixed rate of 5.35%)	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 21092014	21-09-2012	21-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	525
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 27092014	27-09-2012	27-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	250
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 -9.SERIE - EOD-CRPC 12 17 9S 2	8-09-2012	29-09-2017	Fixed Annual Rate of 11.9179% (3rd year a fixed rate of 12.1625%; 4th year a fixed rate of 13.3857%; 5th year a fixed rate of 12.3286%)	14 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 01102015	01-10-2012	01-10-2015	Fixed Annual Rate of 5.25% (3rd year a fixed rate of 5.35%)	340
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 02102014	02-10-2012	02-10-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	610

(thousand euros)

Issue	Issue date	Maturity date	Interest Rate	Book value
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 03102014	03-10-2012	03-10-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	675
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 04102014	04-10-2012	01-10-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 09102014 - EOC-MGPART 041014	09-10-2012	09-10-2014	Fixed Annual Rate of 5%	270
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 10102014	10-10-2012	10-10-2014	Fixed Annual Rate of 5.25%	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 15102014	15-10-2012	15-10-2014	Fixed Annual Rate of 5.25%	300
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 16102014	16-10-2012	16-10-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	1 210
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 -10.SERIE - DTN-CRPC 1217 10S	31-10-2012	31-10-2017	Fixed Annual Rate of 5.15% (3rd year a fixed rate of 5.40%; 4th year a fixed rate of 5.60%; 5th year a fixed rate of 6.15%)	57 500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR NOV12 02112014 - EOE-MG PART NOV14	02-11-2012	02-11-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR NOV12 -06112014 - EOE-MGPART 061114	06-11-2012	06-11-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %. (4th semester a fixed rate of 5.25%)	730
OBRIGACOES CAIXA-MONTEPIO PARTICULAR NOV12 -09112014 - EOE-MGPART 091114	09-11-2012	09-11-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	300
OBRIGACOES CAIXA-MONTEPIO PARTICULAR NOV12 -19112014 - EOE-MGPART 191114	19-11-2012	19-11-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	1 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA NOVEMBRO -2012-2014 - EOF-MGTXFX NOV 14	22-11-2012	22-11-2014	Fixed Annual Rate of 4.25%	6 282
OBRIGS CAIXA-MG TAXA FIXA PLUS-NOVEMBRO -2012-2014 - EOFMGTXFXPLUS 14	22-11-2012	22-11-2014	Fixed Annual Rate of 5% (2nd year a fixed rate of 5%)	18 549
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 1.SERIE - PCB-MGPOUP FAM 1S	28-11-2012	29-11-2017	Fixed Annual Rate of 5.15% (3rd year and 4th year a fixed rate of 5.25%; 5th year a fixed rate of 6.70%)	3 450
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 -11.SERIE - PCB-CRPC12 17 11S	28-11-2012	29-11-2017	Fixed Annual Rate of 5.15% (3rd year and 4th year a fixed rate of 5.25%; 5th year a fixed rate of 5.70%)	48 500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR DEZ12-05122014 - EOF-MGPART 051214	05-12-2012	05-12-2014	Interests are paid on a semiannual base with a fixed rate of 5.25% (4th semester a fixed rate of 5.25%)	250
OBRIGS CAIXA-MG TAXA FIXA PLUS-6 DEZEMBRO 2012-2014 - EOF-MGTXFXPLUS 12	06-12-2012	06-12-2014	Fixed Annual Rate of 5%	14 140
OBRIGS CAIXA-MG TAXA FIXA-6DEZEMBRO 2012-2014 - EOS-MGTXFX 061212	06-12-2012	06-12-2014	Fixed Annual Rate of 4.25%	4 114
OBRIGACOES CAIXA-MONTEPIO PARTICULAR DEZ 12-21122015 - EOH MGPART 211215	21-12-2012	21-12-2014	Interests are paid on a semiannual base with a fixed rate of 5.25% (4th semester a fixed rate of 5.25%; 5th semester and 6th semester a fixed rate of 5.35%)	300
OBRIGS CAIXA-MONTEPIO TAXA FIXA -20DEZ-2012-2014 - EOH MGTXF 201212	20-12-2012	20-12-2014	Fixed Annual Rate of 4.25%	3 324
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS -20DEZ-2012-2014 - EOH TXFPLUS201212	20-12-2012	20-12-2014	Fixed Annual Rate of 5%	13 953
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS -31DEZ-2012-2014 - EOH MGTXFXP311212	31-12-2012	31-12-2014	Fixed Annual Rate of 5%	6 140
OBRIGS CAIXA-MONTEPIO TAXA FIXA-31DEZ -2012-2014 - EOH MGTXFX 311212	31-12-2012	31-12-2014	Fixed Annual Rate of 4.25%	2 122
OBRIGACOES CAIXA-MONTEPIO PARTICULAR DEZ12 -31122014 - EOH MGPART 311214	31-12-2012	31-12-2014	Fixed Annual Rate of 5%	300
OBRIGS CAIXA-MOMTEPIO-TIMBI-LEVERAGE 2012/2015 - EOH MG TIMBI LEV	31-12-2012	31-12-2015	VN*Max [0%; (400%*Performance do Cabaz)]	5
OBRIGS CAIXA-MG-CABAZ LATAM COMMODITIES 2012/2015 - EOH MGCABAZ LATAM	31-12-2012	31-12-2015	VN*Max [0%;Min (30%; 60%*Performance do Cabaz)]	5
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-03012015 - EOH MGPART 030115	03-01-2013	03-01-2015	Fixed Annual Rate of 5% (2nd year a fixed rate of 5%)	11 800

(thousand euros)

Issue	Issue date	Maturity date	Interest Rate	Book value
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 -12.SERIE - PCF CRPC 1217 12S CEMG8	15-01-2013	29-12-2017	Fixed Annual Rate of 5% (2nd year a fixed rate of 5.125%; 3rd year a fixed rate of 5.25%; 4th year a fixed rate of 5.40%; 5th year a fixed rate of 5.75%)	28 350
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 2.SERIE - PCF MGPOUP FAM 2S CEMG2	15-01-2013	29-12-2017	Fixed Annual Rate of 5% (2nd year a fixed rate of 5.25%; 3th year a fixed rate of 5.40%; 4th year a fixed rate of 5.60%; 5th year a fixed rate of 6.25%)	2 300
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-22012015 - EOI-MGPART 220115	22-01-2013	22-01-2015	Interests are paid on a semiannual base with a fixed rate of 4.6% (3rd and 4th semester a fixed rate of 4.6%)	1 050
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-23012016 - EOI MGPART 230116	23-01-2013	23-01-2016	Fixed Annual Rate of 4.5% (2nd and 3rd year a fixed rate of 5.25%)	550
OBRIGS CAIXA-MONTEPIO TAXA FIXA -23JAN-2013-2015 - EOI MGTXFX 230115	23-01-2013	23-01-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.25%)	6 154
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS -23JAN 2013/15 - EOI TFXPLUS230115	23-01-2013	23-01-2015	Fixed Annual Rate of 4.75% (2nd year a fixed rate of 4.75%)	19 018
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013 -29012016 - EOI-MGPART 291216	29-01-2013	29-01-2016	Fixed Annual Rate of 4.5% (2nd year a fixed rate of 4.75%; 3rd year a fixed rate of 5%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -1.SERIE - PCF-CRPC 13 18 1S	31-01-2013	31-01-2018	Fixed Annual Rate of 5.00% (2nd year a fixed rate of 5.10%; 3rd year a fixed rate of 5.15%; 4th year a fixed rate of 5.25%; 5th year a fixed rate of 5.50%)	58 700
OBRIGS CAIXA-MONTEPIO PARTIC FEVEREIRO 2013 -01022015 - EOI MGPART 010215	01-02-2013	01-02-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	500
OBRIGS CAIXA-MONTEPIO PARTIC FEVEREIRO 2013 -04022015 3,95% - EOI MGPART13 3.95	04-02-2013	04-02-2015	Interests are paid on a semiannual base with a fixed rate of 3.95% (3rd semester and 4th semester a fixed rate of 3.95%)	500
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013 -04022015-4PC - EOI-MGPART2013 4	04-02-2013	04-02-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	446
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013 -04022015-4,625PC - EOJ-MGPART 4.625	04-02-2013	04-02-2015	Interests are paid on a semiannual base with a fixed rate of 4.50% (3rd semester and 4th semester a fixed rate of 4.75%)	1 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS -6FEV-2013-2015 - EOJ TXFPLUS060215	06-02-2013	06-02-2015	Fixed Annual Rate of 4.50% (2nd year a fixed rate of 4.5%)	14 736
OBRIGS CAIXA-MONTEPIO TAXA FIXA-6 FEVEREIRO 2013-2015 - EOJ TXFX 060215	06-02-2013	06-02-2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.15%)	5 961
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13 -13022016 - EOJ MGPART 130216	13-02-2013	13-02-2016	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%; 3th year a fixed rate of 4.5%)	250
OBRIGACOES CAIXA-MONTEPIO PARTIC-USD-FEV/13 -13022016 - EOJ MG USD 130216	13-02-2013	13-02-2018	Fixed Annual Rate of 3.90% (2n year, 3rd year, 4th year and 5th year a fixed rate of 3.90%)	196
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13 -19022015 - EOJ-MGPART 190215	19-02-2013	19-02-2016	Interests are paid on a semiannual base with a fixed rate of 4.25% (2nd year a fixed rate of 4.40%)	529
OBRIGS CAIXA-MONTEPIO TAXA FIXA-20 FEVEREIRO 2013-2015 - EOJ-MGTXFX 200215	20-02-2013	20-02-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	4 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS -20FEV-2013-2015 - EOJTXFPLUS200215	20-02-2013	20-02-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.25%)	9 077
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13 -22022015 - EOR-MGPART 220215	22-02-2013	22-02-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	640
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13 -26022015 - EOR-MGPART 260215	26-02-2013	26-02-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	1 528
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -2.SERIE - PCH CRPC 13 18 2S	28-02-2013	01-03-2018	Fixed Annual Rate of 4.85% (2nd year a fixed rate of 4.85%; 3rd year and 4th year a fixed rate of 5.00%; 5th year a fixed rate of 5.40%)	44 450
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021 -1.SERIE - PCH CRPC 13 21 1S	28-02-2013	01-03-2021	Fixed Annual Rate of 5.15% (2nd year a fixed rate of 5.20%; 3rd year a fixed rate of 5.30%; 4th year a fixed rate of 5.30%; 5th year a fixed rate of 5.30%; 6th year of Max[5.95%; Min (IPC+2%;8.25%)]; 7th year of Max[6.15%; Min (IPC+2%;8.50%)]; 8th year of Max[6.45%; Min (IPC+2%;8.50%)])	2 865

(thousand euros)

Issue	Issue date	Maturity date	Interest Rate	Book value
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13 -04032015 - EORMGPART 040315	04-03-2013	04-03-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13 -05032015 - EORMGPART 050318	05-03-2013	05-03-2018	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%; 3rd year a fixed rate of 4.50%; 4th year a fixed rate of 4.70%; 5th year a fixed rate of 4.90%)	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-06 MARCO 2013-2015 - EOR-TXFX 060315	06-03-2013	06-03-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	3 681
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-06 MAR-2013-2015 - EORTXFXPLUS60315	06-03-2013	06-03-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	11 479
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13 -15032015 - EORMGPART 150315	15-03-2013	15-03-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	15 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13 -18032015 - EOR MGPART 180315	18-03-2013	18-03-2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.25%)	265
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13 -19032015 - EOT MGPART 190315	19-03-2013	19-03-2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.25%)	700
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13 -27032015 - EOTMGPART 270315	27-03-2013	27-03-2015	Fixed Annual Rate of 4.05% (2nd year a fixed rate of 4.125%)	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-20 MARCO 2013 -2015 - EOR-MGTXFX 200315	20-03-2013	20-03-2015	Fixed Annual Rate of 4.1% (2nd year a fixed rate of 4.1%)	30 770
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -3.SERIE - EOT CRPC 13 18 3S	28-03-2013	29-03-2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3th year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 5.65%)	31 425
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13 -28032016 - EOTMGPART 280316	28-03-2013	28-03-2016	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%; 3rd year a fixed rate of 4.275%)	425
OBRIGS CAIXA-MONTEPIO TAXA FIXA-03 ABRIL 2013-2015 - EOT MGTXFX 030415	03-04-2013	03-04-2015	Interests are paid on a semiannual base with a fixed rate of 4% (2nd year a fixed rate of 4%)	18 203
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 05042015 - EOT-MGPART 050415	05-04-2013	05-04-2015	Fixed Annual Rate of 4.125% (2nd year a fixed rate of 4.125%)	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 17042015 - EOT-MGPART 170415	17-04-2013	17-04-2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 22042015 - EOT-MGPART 220415	22-04-2013	22-04-2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	300
OBRIGS CAIXA-MONTEPIO TAXA FIXA-17 ABRIL 2013-2015 - EOT-MGTXFX 170415	24-04-2013	24-04-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	30 599
OBRIGS CAIXA-MONTEPIO POUPANÇA FAMILIAR 2013-2018-1.SERIE -PCBMGPFAM1318 1S	30-04-2013	01-05-2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 6.70%)	3 150
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -4.SERIE - PCH-CRPC 13 18 4S	30-04-2013	01-05-2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 6.70%)	41 600
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 06052015 - EON-MGPART 060515	06-05-2013	06-05-2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	1 100
OBRIGS CAIXA-MONTEPIO TAXA FIXA-15 MAIO 2013-2015 - EON-MGTXFX 150515	15-05-2013	15-05-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	22 406
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 17052015 - EON-MGPART 200515	20-05-2013	17-05-2015	Interests are paid on a semiannual base with a fixed rate of 4% (2nd year a fixed rate of 4%)	400
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 22052015 - EON-MGPART 220515	22-05-2013	22-05-2015	Fixad Annual Rate of 4.075% (2nd year a fixed rate 4.175%)	7 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA-29 MAIO 2013-2015 - EON-MG TXFX290515	29-05-2013	29-05-2015	Interests are paid on a semiannual base with a fixed rate of 4% (2ºnd year a fixed rate of 4%)	9 450
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 29052015 - EON-MG PART290515	29-05-2013	29-05-2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -5.SERIE - PCF-CRPC 13 18 5S	31-05-2013	01-06-2018	Fixed Annual Rate of 4.4% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.9%; 5th year a fixed rate of 5.65%)	50 000

(thousand euros)

Issue	Issue date	Maturity date	Interest Rate	Book value
OBRIGS CAIXA-MONTEPIO TAXA FIXA-12 JUNHO 2013-2015 - EBE-MG TXFX 13 15	12-06-2013	12-06-2015	Interests are paid on a semiannual base with a fixed rate of 3.75% (2nd year a fixed rate of 3.75%)	7 867
OBRIGS CAIXA-MONTEPIO TAXA FIXA-26 JUNHO 2013-2015 - EOP-MG TXFX 13 15	26-06-2013	26-06-2015	Interests are paid on a semiannual base with a fixed rate 3.75% (2nd year a fixed rate of 3.75%)	6 835
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -6.SERIE - EOD-CRPC13 18 6S	28-06-2013	28-06-2018	Fixed Annual Rate of 4.4% (2nd year a fixed rate of 4.4%; 3rd year a ficed rate of 4.6%; 4th year a fixed rate of 4.75%; 5th a fixed rate of 4.9%)	40 150
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021 -2.SERIE - EOK CRPC 13 21 2S	28-06-2013	28-06-2021	Fixed Annual Rate of 4.9% (2nd year a fixed rate of 4.9%, 3rd year a fixed rate of 5.1%, 4th year a fixed rate of 5.1%;5th year a fixed rate of 5.65%; 6th year to 8 th year of Max [5.95%;Min(IPC+2%;8.15%)]	1 645
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -7.SERIE - DON-CRPC13 18 7S	31-07-2013	01-08-2018	Fixed Annual Rate of 3.85% (2nd year a fixed rate of 4.15%, 3rd year a fixed rate of 4.35%, 4th year a fixed rate of 4.55%; 5th year a fixed rate of 4.9%)	45 100
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/13 29082015 - EOO MGPART 290815	29-08-2013	29-08-2015	Interests are paid on a semiannual base with a fixed rate of 2.8% (2nd year a fixed rate of 2.8%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -8.SERIE - DON-CRPC 13 18 8S	30-08-2013	31-08-2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 4.15%; 3th year a fixed rate of 4.35%, 4th year a fixed rate of 4.55%; 5th year a fixed rate of 4.90%)	41 000
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -9.SERIE - EOL-CRPC 13 18 9S	30-09-2013	01-10-2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.75%, 3rd year a fixed rate of 4%; 4th year a fixed rate of 4.2%; 5th year a fixed rate of 4.4%)	47 900
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -10.SERIE - DON-CRPC13 18 10S	31-10-2013	01-11-2018	Fixed Annual Rate of 3.75% (2nd year a fixed rate of 3.75%; 3rd year a fixed rate of 4%; 4th year a fixed rate of 4.1%; 5th year a fixed rate of 4.4%)	41 300
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -11.SERIE - PCG-CRPC13 18 11S	29-11-2013	30-11-2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.65%; 3rd year a fixed rate of 3.7%; 4th year a fixed rate of 3.75%; 5th year a fixed rate of 4%)	36 000
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 -12.SERIE	30-12-2013	31-12-2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.65%; 3rd year a fixed rate of 3.7%; 4th year a fixed rate of 3.75%; 5th year a fixed rate of 4%)	27 500
PAPEL COMERCIAL-364 DIAS-4,5 PC-18012013 - PCF-PC69EMI180113	18-01-2013	17-01-2014	Fixed Rate of 4.5%	42 164
PAPEL COMERCIAL-364 DIAS-4,5 PC-30012013 - PCF-PC71EMI300113	30-01-2013	29-01-2014	Fixed Rate of 4.5%	34 514
PAPEL COMERCIAL-364 DIAS-4PC-06022013 - PCG-PC73EM060213A	06-02-2013	05-02-2014	Fixed Rate of 4.0%	21 955
PAPEL COMERCIAL-364 DIAS-4PC-13022013 - PCG-PC75EMI130213	13-02-2013	12-02-2014	Fixed Rate of 4.0%	15 537
PAPEL COMERCIAL-364 DIAS-4PC-20022013 - PCG PC77EMI200213	20-02-2013	19-02-2014	Taxa Fixa de 4,0%	14 943
PAPEL COMERCIAL-364 DIAS-4PC-27022013 - PCG-PC79EMI270213	27-02-2013	26-02-2014	Fixed Rate of 4.0%	21 967
PAPEL COMERCIAL-364 DIAS-4PC-06032013 - PCH-PC81EMI060313	06-03-2013	05-03-2014	Fixed Rate of 4.0%	17 724
PAPEL COMERCIAL-364 DIAS-4PC-13032013 - PCH-PC83EMI130313	13-03-2013	12-03-2014	Fixed Rate of 4.0%	14 466
PAPEL COMERCIAL-364 DIAS-3,5PC-27032013 - PCH PC87EMI270313	27-03-2013	26-03-2014	Fixed Rate of 3.5%	3 916
PAPEL COMERCIAL-364 DIAS-3,75PC-20032013 - DTN-PC85EMI200313	20-03-2013	19-03-2014	Fixed Rate of 3.75%	6 089
PAPEL COMERCIAL-364 DIAS-3,5 PC-03042013 - EOK-PC89EMI030413	03-04-2013	02-04-2014	Fixed Rate of 3.5%	2 786

(thousand euros)

Issue	Issue date	Maturity date	Interest Rate	Book value
PAPEL COMERCIAL-364 DIAS-3,5 PC-10042013 -EOK PC91EMI100413	10-04-2013	09-04-2014	Fixed Rate of 3.5%	3 297
PAPEL COMERCIAL-364 DIAS-3,5 PC-23042013 - EOD-PC93EMI230413	23-04-2013	22-04-2014	Fixed Rate of 3.5%	9 370
PAPEL COMERCIAL-364 DIAS-3,5 PC-30042013 - EMO-PC95EMI300413	30-04-2013	29-04-2014	Fixed Rate of 3.5%	2 119
PAPEL COMERCIAL-364 DIAS-3,5 PC-08052013 - PCE-PC97EMI080513	08-05-2013	07-05-2014	Fixed Rate of 3.5%	3 981
PAPEL COMERCIAL-364 DIAS-3,5 PC-15052013 - PCF-PC99EMI150513	15-05-2013	14-05-2014	Fixed Rate of 3.5%	2 624
PAPEL COMERCIAL-364 DIAS-3,5 PC-22052013 - PCG-PC101EM220513	22-05-2013	21-05-2014	Fixed Rate of 3.5%	2 908
PAPEL COMERCIAL-364 DIAS-3,5 PC-29052013 - EOM-PC103EM290513	29-05-2013	28-05-2014	Fixed Rate of 3.5%	1 230
PAPEL COMERCIAL-PARTICULAR-364D -4PC-21022013	21-02-2013	20-02-2014	Fixed Rate of 4.0%	2 000
PAPEL COMERCIAL - EMISSÃO 5	13-11-2013	13-05-2014	Rate of 4.322%	7 000
PAPEL COMERCIAL - EMISSÃO 6	02-12-2013	02-06-2013	Rate of 4.329%	5 000
Empréstimo obrigacionista CEMG 2004	Set.2004	Set.2014	Euribor 3 M + 0.25%	15 000
Empréstimo obrigacionista CEMG 2005	Fev.2005	Fev.2015	1st year rate of 3.5%; 2nd year: 0.875% x 10yr CMS rate	125 000
Empréstimo obrigacionista CEMG 2007	Jan.2007	Jan.2017	1st year rate of 4.2%; 2nd year = 1 x 10yr CMS rate	100 000
Empréstimo obrigacionista CEMG 2007	Fev.2007	Fev.2017	Fixed Rate of 5%	90 000
Pelican Mortgages No 1	19-12-2013	19-12-2037	W.A.I – 1.33%	61 554
Pelican Mortgages No 2	29-09-2003	29-09-2036	W.A.I – 1.33%	79 83
Debt securities issued				2 384 018
Adjustments arising from hedging operations				(6 947)
Accruals, deferred costs and income				(57 643)
				2 319 428

As at 31 December 2013, for the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.5% and 16.76% (2013: 0.44% and 10,94%).

39. Financial liabilities relating to transferred assets

This balance is analysed as follows:

(thousand euros)

	2013	2012
Pelican Mortgages No. 3	194 287	240 051
Other	762	4 368
	195 049	244 419

40. Provisions

This balance is analysed as follows:

(thousand euros)

	2013	2012
Other provisions for liabilities and charges	8 014	14 292

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

(thousand euros)

	2013	2012
Balance on 1 January	14 292	7 985
Charge for the year	3 444	2 730
Write-back for the year	(248)	(5 695)
Transfers	(9 474)	9 272
Balance on 31 December	8 014	14 292

41. Other subordinated debt

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

As at 31 December 2013, the mainly characteristics of the Other subordinated debt, are analysed as follows:

(thousand euros)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/06	Apr. 2006	Apr. 2016	50 000	Euribor 3 months+0.95%	26 139
CEMG/08	Fev. 2008	Fev. 2018	150 000	Euribor 6 months+1.5%	121 368
CEMG/08	Jun. 2008	Jun. 2018	28 000	Euribor 12 months+1.5%	18 179
CEMG/08	Jul. 2008	Jul. 2018	150 000	Euribor 6 months+1.5%	121 053
FNB 08/18 1.ª/2.ª Série	Dec. 2008	Dec. 2018	10 363	Euribor 6 months+0.15% (*iv*)	10 375
FNB Rendimento Seguro 05/15	Jun. 2005	Jun. 2015	238	6.25%*VN Min.(quote) (*iii*)	238
FNB Grandes empresas 07/16 1.ª série	May 2007	May 2016	1 745	Max.(0;6.0%*(1-n/5)) (*i*)	1 780
FNB Grandes empresas 07/16 2.ª/3.ª série	Jun. 2011	Jun. 2016	22 602	Max.(0;6.0%*(1-n/5)) (*i*)	22 740
FNB Índices estratégicos 07/17 1.ª série	May 2007	Jun. 2015	13 207	6.25%*VN Min.(quote) (*ii*)	13 207
FNB Índices estratégicos 07/17 2.ª/3.ª série	Jun. 2011	Jun. 2015	26 629	6.25%*VN Min.(quote) (*ii*)	26 629
Ob. Cx. Subordinadas Finicrédito	Nov. 2007	Nov. 2017	16 550	Tx base+0.90% (*barrier level*)	16 530
					378 238
				Corr. Liability value	(8 160)
					370 078

Other subordinated debt portfolio is recorded at fair value, in accordance with note 51.

As at 31 December 2013 and 2012, the effective interest rate range of the subordinated debt bears postponed interest every three and six months is set between 0.86% and 2.084% (2012: 0.86% and 2.00%).

References:

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

Coupon	Interest rate/range
1st Coupon	5.50%
2nd Coupon	5.50%
3rd Coupon	Max [0; 6.0% * (1-n/3)]
4th Coupon	Max [0; 6.0% * (1-n/4)]
5th Coupon	Max [0; 6.0% * (1-n/5)]
6th Coupon	Max [0; 6.0% * (1-n/6)]
7th Coupon	Max [0; 6.0% * (1-n/7)]
8th Coupon	Max [0; 6.0% * (1-n/8)]
9th Coupon	Max [0; 6.0% * (1-n/9)]

Notes:
where, n is the accumulated number of reference entities in which a credit event has occurred.

If a merge between two or more reference entities had occur and if a credit event occur in the merged entity, it will be accounted many credit events as the number of merged companies.

(ii) – The payment will be annually and it will be equal:

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

*** if not = 0%, where:

Barreira 3 = Barrier to be applied on 3rd coupon = 0%;
Barreira 4 = Barrier to be applied on 4th coupon = 1%;
Barreira 5 = Barrier to be applied on 5th coupon = 2%;
Barreira 6 = Barrier to be applied on 6th coupon = 3%;
Barreira 7 = Barrier to be applied on 7th coupon = 4%;
Barreira 8 = Barrier to be applied on 8th coupon = 5%;
Barreira k = Barrier to be applied on k* coupon
SDk – Closing of Eurostoxx Select Dividend Index (Bloomberg: SD3E) on the observation date K (K=1 to 6)
SD0 – Closing of Eurostoxx Select Dividend Index (Bloomberg: SD3E) on the starting date
SXk – Closing of Eurostoxx50 Total Return Index (Bloomberg: SX5T) on the observation date K (K=1 to 6)
SX0 – Closing of Eurostoxx50 Total Return Index (Bloomberg: SX5T) on the starting date
HSk – Closing of HS60 Europe Index (Bloomberg: HS60EU) on the observation date K (K=1 to 6)
HS0 – Closing of HS60 Europe Index (Bloomberg: HS60EU) on the starting date

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

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

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

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

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

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

42. Other liabilities

This balance is analysed as follows:

(thousand euros)

	2013	2012
Creditors:		
Suppliers	16 065	16 130
Other creditors	150 369	201 130
Public sector	23 586	17 330
Holiday pay and subsidies	37 270	32 833
Other administrative costs payable	732	1 144
Deferred income	70 971	3 351
Other sundry liabilities	90 193	229 461
	389 186	501 379

The balance Other sundry liabilities includes the amount of Euro 68 208 thousands (2012: Euro 145 898 thousands) engaged to balances of banking and financial transactions pending settlement.

43. Share capital

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

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

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

After the referred operation, the share capital of CEMG, amounts Euro 1 500 000 thousands (2012: Euro 1 295 000 thousands) totally subscribed by «Montepio Geral – Associação Mutualista», and is fully paid.

44. Share instruments

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

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

Caixa Económica Montepio Geral issued 200 000 000 securities with the face amount of Euro 1, which will be nominated and ordinary shares only.

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

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

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

45. Other equity instrument

This caption includes the issuance of Euro 15 000 thousands occurred in the first quarter of 2010 Perpetual Subordinated Securities Interest conditioners made by Montepio Investimento, S.A. (previously designated as Finibanco, S.A.), and in connection with the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated as Finibanco Holding, S.G.P.S., S.A.), and its subsidiaries, was integrated in CEMG responsibilities, as described in note 1 *a*).

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

During 2013, the Group repurchased perpetual subordinated instruments in the amount of Euro 6 727 thousands. After this operation, the balance Other equity instruments present Euro 8 273 thousands (2012: Euro 15 000 thousands).

Payment

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

– 1st to 4th coupon: 7.00%;

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

Payment interest limitations

The Issuer will be prevented from making interest payment:

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

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

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

The impediment to proceed to the Interest Payment may be total or partial.

Interest non-payment on any date excludes the issuer of the interest payment related to this date in a future time.

It is considered distributable funds in a determined year the algebraic sum, with reference to the previous year, the retained earnings with any other amount which may be distributable and profit or loss, net of reserve requirements, statutory and legal, but before the deduction of the amount of any dividends on ordinary shares or other securities subject to these, for that exercise.

Reimbursement

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

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

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

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

46. General and special reserves

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

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

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

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

47. Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

(thousand euros)

	2013	2012
Fair value reserves		
Available-for-sale financial assets		
Gross Amount	11 352	(22 083)
Taxes	(8 066)	1 793
Others	(14 819)	18 321
	(11 533)	(1 969)
Reserves and retained earnings:		
General	187 532	185 935
Portuguese	68 273	68 160
Other reserves	49 324	44 501
Retained earnings	(66 935)	19 287
	238 194	317 883

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

The movements of this balance during the first semester of 2013 are analysed as follows:

(thousand euros)

	Balance on 1 January	Reavaluation	Aquisitions	Sales	Impairment in profit and loss	Balance on 31 December
Fixed income securities:						
Bonds issued by Portuguese entities	9 018	676	33 903	(10 193)	–	33 404
Bonds issued by Foreign entities	113	(2 519)	37	(179)	2 842	294
Bonds issued by other entities:						
Portuguese	(6 043)	1 821	(19 467)	3 293	–	(20 396)
Foreign	(20 221)	10 834	1 670	7 150	(810)	(1 377)
Commercial paper	–	226	–	–	(226)	–
	(17 133)	10 586	16 143	71	2 258	11 925
Variable income securities:						
Shares in companies						
Portuguese	66	98	104	–	(25)	243
Foreign	1 006	1 519	333	(256)	(655)	1 947
Investment fund units	(6 022)	15 076	(5 133)	6 514	(13 198)	(2 763)
	(4 950)	16 693	(4 696)	6 258	(13 878)	(573)
	(22 083)	27 279	11 447	6 329	(11 620)	11 352

The movements of this balance during the first semester of 2012 are analysed as follows:

(thousand euros)

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

The fair value reserve can be analysed as follows:

(thousand euros)

	2013	2012
Amortised cost of available-for-sale financial assets	4 573 730	2 542 476
Accumulated impairment recognised	(39 266)	(38 948)
Amortised cost of available-for-sale financial assets, net impairment	4 534 464	2 503 528
Fair value of available-for-sale financial assets	4 545 816	2 481 445
Net/unrealised gains/(losses) recognised in the fair value reserve	11 352	(22 083)

48. Distribution of profit

On 29 April 2013, following the General Assembly, CEMG distributed to Montepio Geral – Associação Mutualista the amount of Euro 1 692 thousands (2012:Euro 16 584 thousands).

49. Non-controlling interests

This balance is analysed as follows:

(thousand euros)

	Balance		Income Statement	
	2013	2012	2013	2012
Finibanco Angola S.A.	11 035	6 957	2 153	1 094
	11 035	6 957	2 153	1 094

The movements of this balance are analysed as follows:

(thousand euros)

	2013	2012
Balance on 1 January	6 957	11 381
Exchange differences	561	744
Dividends	(434)	(1 994)
Other	1 798	(4 268)
	8 882	5 863
Goodwill arising on consolidation	–	–
Net income attributable to non-controlling interests	2 153	1 094
Balance on 31 December	11 035	6 957

50. Obligations and future commitments

Obligations and future commitments are analysed as follows:

(thousand euros)

	2013	2012
Guarantees granted	483 544	473 804
Guarantees received	31 521 321	31 935 895
Commitments to third parties	1 949 361	1 524 034
Commitments from third parties	82 802	42 279
Securitised loans	1 342 664	238 856
Customers	7 919 199	6 601 424
	43 298 891	40 816 292

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

(thousand euros)

	2013	2012
Guarantees granted:		
Guarantees	471 714	464 722
Open documentary credits	6 962	4 214
Guarantees and indemnities (counter)	4 868	4 868
	483 544	473 804
Commitments to third parties:		
Irrevocable commitments		
Irrevocable credit lines	391 689	186 351
Securities subscription	801 801	359 200
Annual contribution to the Guarantee Deposits Fund	25 314	25 314
Potencial obligation with the Investors' Indemnity System	3 508	2 399
Revocable commitments		
Revocable credit lines	727 049	950 770
	1 949 361	1 524 034

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

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

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

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

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

As at 31 December 2013 and 2012, the balance Potential obligation with the Investors' Indemnity System refers to the irrevocable obligation that the Group assumed, under the applicable law, to deliver to that system, in case needed, the required amount to pay its share of the indemnities to be paid to investors.

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

51. Fair value

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

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

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

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

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

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

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

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

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

  For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank was 0.25% as at 31 December 2013 (31 December 2012: 0.75%).

  Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the 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.

– **Financial assets held to maturity**

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

– **Hedging and trading derivatives**

All derivatives are recorded at fair value.

In the case of those who are quoted in organized markets is used its market price. As for derivatives traded «over the counter», apply the numerical methods based on techniques of discounted cash flow valuation models and considering options including changing market interest rates applicable to the instruments concerned, and where necessary, their volatility.

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

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

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

As at 31 December 2013, the average discount rate was 5.45% (31 December 2012: 5.12%), assuming the projection of variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

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

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

– **Deposits from customers**

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

The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of the Group at the date of the report, which was calculated from the average production of the last three months of the year 2013.

As at 31 December 2013, the average discount rate was of 1.91% (2012: 2.69%).

– **Debt securities issued and Subordinated debt**

For these financial instruments, fair value was calculated for the components that are not yet reflected on the Group's balance sheet. For the fixed interest rate instruments for which the Group applies a hedge-note, the fair value regarding the interest rate risk is already accounted for.

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

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

As at 31 December 2013, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of the Group:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	0.223%	0.080%	0.410%	-0.050%	0.078%
7 days	0.188%	0.129%	0.410%	-0.095%	0.089%
1 month	0.216%	0.160%	0.410%	-0.075%	0.100%
2 months	0.255%	0.210%	0.470%	-0.050%	0.040%
3 months	0.287%	0.330%	0.520%	-0.040%	0.060%
6 months	0.389%	0.410%	0.735%	0.040%	0.140%
9 months	0.480%	0.450%	0.810%	0.110%	0.230%
1 year	0.556%	0.580%	0.950%	0.180%	0.280%
2 years	0.544%	0.487%	1.031%	0.156%	0.209%
3 years	0.772%	0.868%	1.444%	0.294%	0.242%
5 years	1.260%	1.775%	2.148%	0.751%	0.385%
7 years	1.682%	2.468%	2.592%	1.182%	0.594%
10 years	2.155%	3.086%	3.006%	1.635%	0.910%
15 years	2.588%	3.580%	3.332%	2.015%	1.359%
20 years	2.714%	3.756%	3.332%	2.015%	1.359%
30 years	2.731%	3.886%	3.332%	2.015%	1.359%

As at 31 December 2012, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of the Group:

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

Exchange rates and 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	2013	2012	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.3791	1.3194	7.80	7.90	8.03	8.30	8.47
EUR/GBP	0.8337	0.8161	6.83	6.93	7.15	7.30	7.45
EUR/CHF	1.2276	1.2072	3.40	3.98	4.30	4.68	5.10
EUR/JPY	144.72	113.61	10.65	11.23	12.03	12.45	12.70

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

Next table shows the decomposition of main adjustments to the financial assets and liabilities of the Group, which are recognized at book value and fair value at 31 December 2013 and 31 December 2012:

(thousand euros)

	2013						
	Held for trading	Designated at fair value	Loans and advances	Available--for-sale	Others	Book value	Fair value
Financial assets:							
Cash and deposits at central banks	–	–	314 259	–	–	314 259	314 259
Loans and advances to credit institutions repayable on demand	–	–	233 785	–	–	233 785	233 785
Loans and advances to credit institutions	–	–	330 063	–	–	330 063	330 063
Loans and advances to customers	–	26 788	15 528 476	–	–	15 555 264	14 573 888
Financial assets held for trading	64 106	–	–	–	–	64 106	64 106
Other financial assets at fair value trough profit or loss	–	3 450	–	–	–	3 450	3 450
Available-for-sale financial assets	–	–	–	4 545 816	–	4 545 816	4 545 816
Hedging derivates	–	503	–	–	–	503	503
Held-to-maturity investments	–	–	34 631	–	–	34 631	35 340
Investments in associated companies	–	–	–	–	42 354	42 354	42 354
	64 106	30 741	16 441 214	4 545 816	42 354	21 124 231	20 143 564
Financial liabilities:							
Deposits from central banks	–	–	3 427 354	–	–	3 427 354	3 427 354
Deposits from other credit institutions	–	71 019	403 478	–	–	474 497	474 497
Deposits from customers	–	374 226	13 768 602	–	–	14 142 828	14 174 337
Debt securities issued	–	273 233	2 046 195	–	–	2 319 428	2 319 428
Financial liabilities associated to transferred assets	–	–	–	–	195 049	195 049	195 049
Financial liabilities held for trading	62 224	–	–	–	–	62 224	62 224
Hedging derivates	–	1 849	–	–	–	1 849	1 849
Other subordinated debt	–	92 442	277 636	–	–	370 078	310 018
	62 224	812 769	19 923 265	–	195 049	20 993 307	20 964 756

(thousand euros)

	2012						
	Held for trading	Designated at fair value	Loans and advances	Available--for-sale	Others	Book value	Fair value
Financial assets:							
Cash and deposits at central banks	–	–	304 886	–	–	304 886	304 886
Loans and advances to credit institutions repayable on demand	–	–	235 659	–	–	235 659	235 659
Loans and advances to credit institutions	–	–	224 324	–	–	224 324	224 324
Loans and advances to customers	–	27 475	15 676 072	–	–	15 703 547	14 574 920
Financial assets held for trading	139 055	–	–	–	–	139 055	139 055
Other financial assets at fair value trough profit or loss	–	12 300	–	–	–	12 300	12 300
Available-for-sale financial assets	–	–	–	2 481 445	–	2 481 445	6 730 502
Hedging derivates	–	931	–	–	–	931	931
Held-to-maturity investments	–	–	27 495	–	–	27 495	28 490
Investments in associated companies	–	–	–	–	60 836	60 836	60 836
	139 055	40 706	16 468 436	2 481 445	60 836	19 190 478	22 311 903
Financial liabilities:							
Deposits from central banks	–	–	1 776 514	–	–	1 776 514	1 776 514
Deposits from other credit institutions	–	65 280	560 426	–	–	625 706	625 706
Deposits from customers	–	459 313	12 796 134	–	–	13 255 447	13 282 519
Debt securities issued	–	283 667	2 078 669	–	–	2 362 336	2 312 161
Financial liabilities associated to transferred assets	–	–	–	–	244 419	244 419	244 419
Financial liabilities held for trading	84 794	–	–	–	–	84 794	84 794
Hedging derivates	–	3 177	–	–	–	3 177	3 177
Other subordinated debt	–	88 212	378 908	–	–	467 120	343 677
	84 794	899 649	17 590 651		244 419	18 819 513	18 672 967

52. Employee benefit

Pensions and health-care benefits

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

Additionally, with the publication of Decree-Law no. 1-A / 2011 of January 3, all banking sector employees beneficiaries of «CAFEB – Caixa de Abono de Família dos Empregados Bancários» were integrated into the General Social Security Scheme from 1 January 2011, which assumed the protection of banking sector employees in the contingencies of maternity, paternity and adoption and even old age, remaining under the responsibility of the banks the protection in sickness, disability, survivor and death.

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

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

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

In accordance with IAS 19, and regarding that the acquisition conditions of the benefit are fulfilled (vested), in fact the employee or the pensioner has the right to the benefit without having to fulfil any service condition – the Group as at 31 December 2013 accounted the referred impact in results, which amounted Euro 1 097 thousands (2012 – Euro 7 070 (amount that corresponds to the reduction of the liability on the death subsidy).

Due to the entry in force of the new statutes of CEMG earlier this year, the pension fund liability for the members of the Board of Directors of Montepio Geral – Associação Mutualista («MGAM») is a responsibility of MGAM.

As at 1 January 2013, took place the transfer of CEMG Board of Directors responsibilities from CEMG to MGAM, which amounted Euro 6 847 thousands, and the assets value in the same amount, in order to the liabilities were totally financed.

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

	2013	2012	2013	2012
Financial Assumptions				
Salaries increase rate	1.50%	1.50%	1.50%	1.60%
Pensions increase rate	0.50%	0.50%	0.05%	0.14%
Projected rate of return of Fund assets	4.00%	4.50%	4.45%	16.30%
Discount rate	4.00%	4.50%	4.45%	–
Demographic assumptions and valuation methods				
Mortality table				
Men	TV 88/90	TV 88/90		
Women	TV 88/90	TV 88/90		
Acturial method	UCP*	UCP*		

* UCP – Unit Credit projectado

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

(thousand euros)

	2013	2012
Actives	3 919	4 054
Retirees and survivors	1 012	977
	4 931	5 031

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

(thousand euros)

	2013	2012
Assets/(Liabilities) recognized in the balance sheet		
Pension plans		
Pensioners	(117 850)	(96 539)
Employees	(382 067)	(326 632)
	(499 917)	(423 171)
Healthcare benefits		
Pensioners	(18 069)	(16 771)
Employees	(26 688)	(23 094)
	(44 757)	(39 865)
Death subsidy		
Pensioners	(583)	(1 075)
Employees	(578)	(976)
	(1 161)	(2 051)
Total	(545 835)	(465 087)
Coverages		
Value of the fund	547 407	522 754
Net assets in the balance sheet (see note 34)	1 572	57 667
Actuarial differences recognized in accumulated other comprehensive income	71 051	4 824

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

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

The changes in the defined benefit obligation can be analysed as follows:

(thousand euros)

	2013				2012			
	Pension plans	**Healthcare benefits**	**Death subsidy**	**Total**	**Pension plans**	**Healthcare benefits**	**Death subsidy**	**Total**
Balance on 1 January	423 171	39 865	2 051	465 087	387 075	31 501	8 260	426 836
Finibanco Integration	(6 422)	(418)	(7)	(6 847)	–	–	–	–
Service cost	8 870	1 150	51	10 071	8 738	799	500	10 037
Interest cost	18 754	1 775	92	20 621	21 289	1 733	454	23 476
Actuarial gains / (losses)								
– Changes in the assumptions and the conditions of the plans	59 017	3 737	127	62 881	33 485	3 242	153	36 880
– Not related to changes assumptions	3 179	(36)	(1 132)	2 011	(22 592)	2 590	(7 316)	(27 318)
Payments	(7 342)	(1 316)	(21)	(8 679)	(7 872)	–	–	(7 872)
Early retirements	690	–	–	690	3 048	–	–	3 048
Balance on 31 December	499 917	44 757	1 161	545 835	423 171	39 865	2 051	465 087

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

The pension funds are managed by «Futuro Sociedade Gestora de Fundos de Pensões, S.A.».

The change in the value of plan's assets, at 31 December 2013 and 2012, is analysed as follows:

(thousand euros)

	2013	2012
Balance on 1 January	522 754	447 825
Finibanco integration	(6 847)	–
Expected return on plan assets	22 978	72 146
Contributions to the Fund of CEMG	14 817	9 659
Contributions to the Fund of the employers	2 384	2 252
Payments	(8 679)	(7 872)
Transfer to the general social healthcare system («RGSS»)	–	(1 256)
Balance on 31 December	547 407	522 754

The elements of the Pension Fund's assets are analysed as follows:

(thousand euros)

	2013	2012
Bonds	336 578	234 522
Investment in banks and other	119 078	223 156
Other variable income securities	46 604	51 462
Direct real estate	8 879	9 677
Shares	36 268	3 937
	547 407	522 754

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

(thousand euros)

	2013	2012
Investment in banks and other	100 621	207 921
Direct real estare	8 998	9 677
Bonds	2 748	2 760
	112 367	220 358

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

(thousand euros)

	2013	2012
Actuarial gains/(losses) recognized in other comprehensive income at the beginning of the period	4 824	35 684
Actuarial (gains)/losses		
– Changes in actuarial assumptions	62 881	36 880
– Experience adjustments	3 346	(67 740)
Acturial gains/(losses) recognized in other comprehensive income at the end of the period	71 051	4 824

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

(thousand euros)

	2013	2012
Service cost	10 071	10 037
Interest cost	20 621	23 476
Expected return on plan assets	(23 216)	(24 630)
Early retirements	690	3 048
Transfer to the general social healthcare system («RGSS»)	–	1 256
Partaking of participants	(2 384)	(2 252)
Other	(1 097)	(7 070)
Personnel costs	4 685	3 865

As at 31 December 2013 and 2012, the balance Other refers to the positive effect from the reduction of the liabilities related with death subsidies, following the referred publication of Decree-Law 133/2012 on 27 June 2012.

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

(thousand euros)

	2013	2012
At beginning of the period	57 667	20 989
Actual return on plan assets	22 978	72 146
Contributions to the Fund of CEMG	14 817	9 659
Contributions to the Fund of the employers	2 384	2 252
Service cost	(10 071)	(10 037)
Interest cost	(20 621)	(23 476)
Actuarial and financial (gains) / losses	(64 892)	(9 562)
Transfer for the Social Security regime of the liabilities with pensions in payment	–	(1 256)
Early retirements	(690)	(3 048)
At the end of the period	1 572	57 667

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

(thousand euros)

	2013	2012	2011	2010	2009
Liabilities	(545 835)	(465 087)	(426 836)	(597 140)	(569 822)
Balance of funds	547 407	522 754	447 825	545 097	504 883
Responsabilities (sub)/over funded	1 572	57 667	20 989	(52 045)	(64 939)
(Gains) and losses arising from experience liabilities	64 892	9 562	(6 499)	(4 243)	(2 197)
(Gains) and losses arising from experience adjustments arising on assets	238	(47 516)	57 680	17 957	(14 893)

The actuarial assumptions have a significant impact in the pension liabilities. Considering, this impact, the Group proceeded to a sensitivity analysis to a positive and negative change of 50 basis points in the value of pension liabilities, whose impact is analysed as follows:

(thousand euros)

	Liabilities	
	Increase	Decrease
Discount rate (0.25% change)	(26 920)	27 957
Wage growth rate (0.25% change)	17 106	(15 937)
Pension growth rate (0.25% change)	16 775	(16 082)
SAMS contribution (0.25% change)	2 375	(2 375)
Future death (1% change)	(1 358)	1 369
	7 978	(5 068)

53. Assets under management

In accordance with the legislation in force, the fund management companies and the depositary bank are jointly liable before the participants of the funds for the non fulfilment of the obligations assumed under the terms of the Law and the management regulations of the funds.

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

(thousand euros)

	2013	2012
Investment funds	337 061	347 243
Real estate investment funds	341 049	339 123
Pension fund	187 860	185 571
Bancassurances	142 169	148 579
	1 008 139	1 020 516

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

54. Related parties transactions

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

CEMG's subsidiaries:

Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)
Finibanco Angola, S.A.
Montepio Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Crédito – Instituição Financeira de Crédito, S.A.
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.

CEMG's associates:

HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Montepio Seguros, S.G.P.S., S.A.
Nova Câmbios, S.A.
Silvip, S.A.

Board of Directors

António Tomás Correia
Jorge Barros Luís
Pedro Almeida Ribeiro
Fernando Paulo Magalhães

Other related parties:

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

As at 31 December 2013, the Group's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers, are analysed as follows:

(thousand euros)

	2013		
Companies	Deposits from customers	Other subordinated debt	Loans and advances to customers
Bolsimo – Gestão de Ativos, S.A.	5 819	–	–
Conselho de Administração Executivo	329	–	1 092
Finibanco Vida – Companhia de Seguros Vida, S.A.	2 155	–	0
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	–	–	47 469
Fundação Montepio Geral	1 043	–	–
Fundo de Pensões CEMG	105 322	4 717	–
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 666	–	–
Germont – Empreendimentos Imobiliários, S.A.	126	–	10 000
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	98	–	–
Iberpartners Cafés S.G.P.S., S.A.	–	–	1 550
Lestinvest S.G.P.S., S.A.	200	–	50 850
Lusitania Vida, Companhia de Seguros, S.A.	35 336	30 050	–
Lusitania, Companhia de Seguros, S.A.	12 109	13 408	9 866
MG Investimentos Imobiliários, S.A.	8	–	–
Montepio Geral – Associação Mutualista	503 250	1 030 928	1 661
Montepio Gestão de Ativos – S.G.F.I., S.A.	1 412	–	–
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	1 036	–	–
N Seguros, S.A.	643	4 550	–
NEBRA, Energias Renovables, SL	–	–	1 700
Nova Câmbios, S.A.	138	135	400
Residências Montepio, Serviços de Saúde, S.A.	43	–	2 970
Silvip, S.A.	2 028	–	195
	672 761	1 083 788	127 753

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

(thousand euros)

	2012		
Companies	**Deposits from customers**	**Other subordinated debt**	**Loans and advances to customers**
Bolsimo – Gestão de Ativos, S.A.	3 839	–	–
Civilcentro - Construções do Centro S.A.	1 349	–	–
Conselho de Administração	3 735	–	–
Finibanco Vida – Companhia de Seguros Vida, S.A.	16	–	6 100
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	965	–	–
Fundação Montepio Geral	188 848	2 350	–
Fundo de Pensões CEMG	3 460	–	–
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	9	–	21 769
Germont – Empreendimentos Imobiliários, S.A.	147	–	–
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	24	–	–
Iberpartners Cafés S.G.P.S., S.A.	653	–	47 640
Lusitania Vida, Companhia de Seguros, S.A.	22 551	3 250	–
Lusitania, Companhia de Seguros, S.A.	16 318	13 000	15 000
MG Investimentos Imobiliários, S.A.	2	–	25
Montepio Geral – Associação Mutualista	572 848	574 257	–
Montepio Gestão de Ativos – S.G.F.I., S.A.	891	–	–
Montepio Recuperação de Crédito, ACE	836	–	–
N Seguros, S.A.	4 808	–	–
NEBRA, Energias Renovables, S.L.	181	–	230
Nova Câmbios, S.A.	–	–	15 000
Prio Energy S.G.P.S., S.A.	11 643	–	–
Residências Montepio, Serviços de Saúde, S.A.	50	–	–
Silvip, S.A.	1 640	–	–
	834 813	592 857	105 764

As at 31 December 2013, the Group's income with subsidiaries, included in the balances Interest and similar income and Fee and commission income, are analysed as follows:

(thousand euros)

Companies	2013		
	Interest and similar expense	Interest and similar income	Fee and comission income
Conselho de Administração Executivo	2	3	1
Finibanco Vida – Companhia de Seguros de Vida, S.A.	107	2	45
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	2	3 517	–
Fundação Montepio Geral	3	–	–
Fundo de Pensões CEMG	2 827	35	2
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	50	–	4
Germont – Empreendimentos Imobiliários, S.A.	–	102	–
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	2	–	–
Iberpartners Cafés S.G.P.S., S.A.	–	62	3
Lestinvest, S.G.P.S., S.A.	–	–	–
Lusitania Vida, Companhia de Seguros, S.A.	703	16	67
Lusitania, Companhia de Seguros, S.A.	282	338	406
MG Investimentos Imobiliários, S.A.	–	–	1
Montepio Geral – Associação Mutualista	18 109	385	18
Montepio Gestão de Activos – S.G.F.I., S.A.	20	–	2
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	12	–	–
N Seguros, S.A.	58	1	21
NEBRA, Energias Renovables, S.L.	–	56	17
Nova Câmbios, S.A.	–	68	10
Nutre S.G.P.S., S.A.	–	230	–
Prio Energy S.G.P.S., S.A.	1	284	580
Residências Montepio, Serviços de Saúde, S.A.	1	62	82
Silvip, S.A.	43	1	1
	22 222	5 162	1 260

As at 31 December 2012, the Group's income with subsidiaries, included in the balances Interest and similar income and Fee and commission income, are analysed as follows:

(thousand euros)

Companies	2012		
	Interest and similar expense	Interest and similar income	Fee and comission income
Bolsimo – Gestão de Activos, S.A.	–	–	1
Civilcentro – Construções do Centro, S.A.	–	129	–
Conselho de Administração	39	2 100	–
Finibanco Vida – Companhia de Seguros de Vida, S.A.	71	1	5
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	–	422	–
Fundação Montepio Geral	200	–	1
Fundo de Pensões CEMG	10 537	65	66
Fundo de Pensões Finibanco	501	5	2
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	205	1	9
Germont – Empreendimentos Imobiliários, S.A.	–	361	–
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	5	–	–
Iberpartners Cafés S.G.P.S., S.A.	–	66	2
Lestinvest, S.G.P.S., S.A.	–	2 434	18
Lusitania Vida, Companhia de Seguros, S.A.	603	6	53
Lusitania, Companhia de Seguros, S.A.	390	399	322
MG Investimentos Imobiliários, S.A.	–	2	–
Montepio Geral – Associação Mutualista	20 334	282	33
Montepio Gestão de Activos – S.G.F.I., S.A.	33	–	1 961
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	12	–	–
N Seguros, S.A.	99	1	5
NEBRA, Energias Renovables, S.L.	–	77	–
Nova Câmbios, S.A.	–	18	5
Nutre S.G.P.S., S.A.	–	1 291	1
Prio Energy S.G.P.S., S.A.	1	336	252
Residências Montepio, Serviços de Saúde, S.A.	–	92	76
Silvip, S.A.	58	1	1
	33 088	8 089	2 813

The costs with salaries and other benefits attributed to the Group key management personnel, as well as its transactions, are presented in note 11.

According to the principle of fair value, every transaction concerning related parties is at market prices.

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

55. Securitisation transactions

As at 31 December 2013, there are nine securitisation transactions, seven of which originated in the Group and two in Montepio Holding Group (ex: Finibanco Holding Group), currently integrated into the Group following the success of General and Voluntary Initial Public Offering on the equity representative shares of Montepio Holding, S.G.P.S., S.A (ex: Finibanco – Holding, SGPS, S.A.) and transmission of almost all assets and liabilities for the Group, as described in note 1 *a*).

In the following paragraphs present some additional details of these securitisation transactions.

As at 19 December, 2002, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 650 000 thousands.

The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.016% of the referred nominal value.

As at 29 September, 2003, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 700 000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0286% of the referred nominal value.

As at 30 March, 2007, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 3. The referred agreement consists in a mortgage credit transfer for a period of 47 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 750 000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0165% of the referred nominal value.

As at 20 May, 2008, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 4. The referred agreement consists in a mortgage credit transfer for a period of 48 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1 000 000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.083% of the referred nominal value.

As at 9 December 2008, Finibanco had settled a mortgage credit portfolio to «Tagus – Sociedade de Titularização de Créditos, S.A.» in the amount of Euro 233 000 thousands (Aqua Mortgage No. 1). The total period of this operation is 55 years, with a revolving period of 2 years.

As at 25 March 2009, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 5. The referred agreement consists in a mortgage credit transfer for a period of 52 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1 000 000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0564% of the referred nominal value.

As at 30 June 2009, Montepio Crédito – Instituição Financeira de Crédito, S.A. had settled a portfolio of consume, automobile, Long term rental and leasing credits with «Tagus – Sociedade de Titularização de Créditos, S.A.», with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 207 000 thousands (Aqua Finance No. 3). The total term of the operation is 14 years, with a revolving period of 3 years.

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

As at 5 March 2012, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage No. 6. The referred agreement consists in a mortgage credit transfer for a period of 51 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1 040 200 thousands. The sale was made at par with the cost of initial sale process represented 0.1083% of Assets Backed Note.

The entity that guarantees the debt service (servicer) of this operations is «Caixa Económica Montepio Geral» assuming the collection and distribution of credits assigned amounts received by deposits, to Sociedades Gestoras de Fundos de Titularização de Créditos (Pelican Mortgages No. 1 PLC, Pelican Mortgages No. 2 PLC) and to Sociedades de Titularização de Créditos (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5 and Aqua Mortgages No. 1 and Aqua Finance No. 3).

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

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

As at 31 December 2013, the securitisation operations are presented as follows:

(thousand euros)

Issue	Settlement date	Currency	Asset transferred	Amount
Pelican Mortgages No. 1	December 2002	Euro	Mortgage credit	653 250
Pelican Mortgages No. 2	September 2003	Euro	Mortgage credit	705 600
Pelican Mortgages No. 3	March 2007	Euro	Mortgage credit	762 375
Pelican Mortgages No. 4	May 2008	Euro	Mortgage credit	1 028 600
Aqua Mortgage No. 1	December 2008	Euro	Mortgage credit	236 500
Pelican Mortgages No. 5	March 2009	Euro	Mortgage credit	1 027 500
Aqua Finance No. 3	June 2009	Euro	Consumer credit, car ALD and leasing	213 210
Pelican SME	June 2010	Euro	Small companies	1 205 795
Pelican Mortgages No. 6	February 2012	Euro	Mortgage credit	1 107 000
				6 939 830

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

(thousand euros)

	2013	2012
Pelican Mortgages No.1	71 938	81 282
Pelican Mortgages No. 2	142 536	157 573
	214 474	238 855

As at 31 December 2013, the notes issued by the special purpose vehicles, are analysed as follows:

						Rating (Initial)				Rating (Current)			
Issue	**Bond Issued**	**Issue amount Euro**	**Currents amount Euro**	**CEMG's interest retention Euro**	**Maturity date**	Fitch	Moody's	S&P	DBRS	Fitch	Moody's	S&P	DBRS
Pelican Mortgages No. 1	Class A	611 000 000	28 186 971	8 841 676	2037	AAA	Aaa	n.a	.n.a.	A	Baa3	n.a.	n.a.
	Class B	16 250 000	16 250 000	–	2037	AAA	A2	n.a.	n.a.	A	Baa3	n.a.	n.a.
	Class C	22 750 000	22 750 000	–	2037	BBB+	Baa2	n.a.	n.a.	n.a.	Ba2	n.a.	n.a.
	Class D	3 250 000	3 250 000	3 250 000	2037	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No. 2	Class A	659 750 000	100 829 894	42 252 910	2036	AAA	Aaa	AAA	n.a.	A	Baa3	A-	n.a.
	Class B	17 500 000	17 500 000	10 060 000	2036	AA+	A1	AA-	n.a.	A	Ba1	A-	n.a.
	Class C	22 750 000	22 750 000	8 600 000	2036	A-	Baa2	BBB	n.a.	BBB	Ba2	n.a.	n.a.
	Class D	5 600 000	5 600 000	5 600 000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No. 3	Class A	717 375 000	305 207 706	128 784 872	2054	AAA	Aaa	AAA	n.a.	A	Ba2	A-	n.a.
	Class B	14 250 000	7 880 031	7 575 915	2054	AA-	Aa2	AA-	n.a.	BBB	B3	BBB	n.a.
	Class C	12 000 000	6 635 815	6 396 948	2054	A	A3	A	n.a.	BB	Caa2	BBB-	n.a.
	Class D	6 375 000	3 525 277	3 525 289	2054	BBB	Baa3	BBB	n.a.	B	Caa3	BB	n.a.
	Class E	8 250 000	–	–	2054	BBB-	n.a.	BBB-	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No. 4	Class A	832 000 000	615 769 633	615 769 718	2056	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	A
	Class B	55 500 000	54 510 234	54 510 234	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60 000 000	58 929 983	58 929 983	2056	A-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class D	25 000 000	24 554 159	24 554 160	2056	BBB	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	27 009 575	27 009 575	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No. 5	Class A	750 000 000	552 929 021	552 929 024	2061	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AAH
	Class B	195 000 000	190 323 385	190 323 385	2061	BBB-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class C	27 500 000	26 840 477	26 840 477	2061	B	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class D	27 500 000	26 840 477	26 840 477	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	1 183 500	1 183 500	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23 000 000	23 000 000	23 000 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Finance No. 3	Class A	110 020 000	49 667 816	49 667 816	2023	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A-	AAH
	Class B	96 980 000	57 083 714	57 083 714	2023	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	6 210 000	6 210 000	6 210 000	2023	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No. 6	Class A	750 000 000	704 885 477	704 885 477	2063	A	n.a.	A-	AA	A	n.a.	A-	AA
	Class B	250 000 000	250 000 000	250 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1 800 000	–	–	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65 000 000	65 000 000	65 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican SME	Class A	577 500 000	58 670 323	58 670 324	2036	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AA
	Class B	472 500 000	310 639 517	310 639 517	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Vertical	117 000 000	38 267 669	32 999 858	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	7 294 000	–	–	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Residual	31 500 000	31 500 000	31 500 000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No. 1	Class A	203 176 000	138 918 473	140 963 174	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A-	AAH
	Class B	29 824 000	29 824 000	29 824 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

56. Segmental reporting

During 2012, the Group adopted IFRS 8 – Operating Segments, for the disclosure of the financial information by operating segments, using new criteria in the preparation of this information.

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

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

The Group has a network of 456 branches in Portugal and with one branch in Cabo verde, one financial institution in Angola with 13 branches, and 6 representation offices.

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

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

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

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

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

Segments description

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

Retail Bank

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

Corporate and Institutional

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

Other segments

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

Allocation criteria of the activity and results to the operating segments

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

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

Measurement of profit or loss from operating segments

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

Autonomous Operating Segments

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

Group structures dedicated to the segment

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

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

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

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

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

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

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

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

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

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

Interest and similar income/expense

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

Consolidated Investments under the Equity Method

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

Non-current assets

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

Post Employment Benefits

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

Domestic and International Areas

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

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

Retrospective information

After 2009, including, the Group adopted the rules of IFRS 8 / Segmental Reporting, which differ from the ones used until then in the financial statements. Consequently, the information from the year of 2008 has been reorganized and prepared for presentation, to make it consistent and comparable with the demands of IFRS 8.

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

(thousand euros)

Income statement indicators	Retail	Corporate and institutional	Operations between segments	Total
Interest and similar income	421 842	272 821	121 367	816 030
Interest and similar expense	225 384	77 474	287 925	590 783
Net interest income	196 458	195 347	(166 558)	225 247
Dividends from equity instruments	–	–	535	535
Fees and commissions income	96 557	42 163	4 966	143 686
Fees and commissions expense	(15 748)	(1 889)	(11 415)	(29 052)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	–	–	(27 986)	(27 986)
Net gains/(losses) arising from available-for-sale financial assets	–	–	44 025	44 025
Net gains arising from foreign exchange differences	–	–	20 223	20 223
Net gains from sale of other financial assets	–	–	35 479	35 479)
Other operating income	8 172	2 874	(45 526)	(34 480)
Total operating income	285 439	238 495	(146 257)	377 677
Staff costs	136 652	35 747	24 435	196 834
General and administrative expenses	75 466	19 536	14 925	109 927
Depreciation and amortisation	22 897	5 927	4 528	33 352
Total operating costs	235 015	61 210	43 888	340 113
Total of Provisions and Impairment	75 130	229 216	92 988	397 334
Operating profit	(24 706)	(51 931)	(283 133)	(359 770)
Equity accounted earnings	–	–	(12 682)	(12 682)
Income before taxes and non-controlling interests	(24 706)	(51 931)	(295 815)	(372 452)
Current taxes			(9 469)	(9 469)
Deferred taxes			85 448	85 448
Non-controlling interests			(2 153)	(2 153)
Consolidated profit for the year	(24 706)	(51 931)	(221 989)	(298 626)
Net Assets	12 954 747	3 949 382	6 135 074	23 039 203
Liabilities	13 746 272	3 111 396	4 534 636	21 392 304
Investments in Associates	–	–	42 399	42 399

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

(thousand euros)

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

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

Geographical Segments

The Group operates with special emphasis in markets such as Portugal, Angola and Cabo Verde. Considering this, the geographical segments information includes Portugal and Cabo Verde, being that the segment Portugal reflects, essentially, the activities carried out by Caixa Económica Montepio Geral. The segment Cabo Verde includes the operations developed by Finibanco Angola, S.A. and by Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI).

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

(thousand euros)

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

(thousand euros)

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

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

(thousand euros)

Income statement indicators	Domestic	International	Adjustments	Consolidated
Interest and similar income	1 139 077	35 182	(19 250)	1 155 009
Interest expense and similar charges	867 753	25 426	(19 250)	873 929
Net interest income	271 324	9 756	–	281 080
Dividends from equity instruments	1 174	–	(620)	554
Fees and commissions income	123 737	6 780	–	130 517
Fees and commissions expense	(25 433)	(139)	–	(25 572)
Net gains/(losses) arising from assets and liabilities at fair value through profit	(62 743)	–	–	(62 743)
Net gains/(losses) arising from available-for-sale financial assets	82 586	–	–	82 586
Net gains arising from foreign exchange differences	4 329	10 090	–	14 419
Net gains from sale of other financial assets	(10 706)	–	–	(10 706)
Other operating income	20 230	807	(666)	20 371
Total operating income	404 498	27 294	(1 286)	430 506
Staff costs	192 998	4 148	–	197 146
General and administrative expenses	114 638	5 385	(666)	119 357
Depreciation and amortisation	42 656	900	–	43 556
Total operating costs	350 292	10 433	(666)	360 059
Loans impairment	168 202	3 167	(68)	171 301
Other financial assets impairment	35 674	–	–	35 674
Other assets impairment	28 109	–	–	28 109
Other provisions	(2 816)	(149)	–	(2 965)
Operating profit	(174 963)	13 843	(552)	(161 672)
Share of profit of associates under the equity method	(6 086)		–	(6 086)
Consolidated profit for the year	(181 049)	13 843	(552)	(167 758)
Current taxes	(2 438)	(4 525)	–	(6 963)
Deferred taxes	177 914	–	–	177 914
Non-controlling interests	(1 094)	–	–	(1 094)
Consolidated profit for the year	(6 667)	9 318	(552)	2 099

(thousand euros)

Balance sheet indicators	Domestic	International	Adjustments	Consolidated
Cash and deposits at central banks	247 588	57 298	–	304 886
Loans and advances to credit institutions repayable on demand	232 354	27 540	(24 235)	235 659
Other loans and advances to credit institutions	187 752	504 668	(468 096)	224 324
Loans and advances to customers	15 624 154	79 293	100	15 703 547
Financial assets held for trading	139 055	–	–	139 055
Other financial assets at fair value through profit or loss	12 300	–	–	12 300
Financial assets available-for-sale	2 481 257	188	–	2 481 445
Hedging derivatives	931	–	–	931
Held-to-maturity investments	17 222	10 273	–	27 495
Investments in associated companies and others	67 837	–	(7 001)	60 836
Non- current assets held for sale	491 045	750	–	491 795
Investment properties	388 260	–	–	388 260
Other tangible assets	86 210	10 365	–	96 575
Intangible assets	58 242	805	–	59 047
Current tax assets	94	2 608	–	2 702
Deferred tax assets	265 987	–	–	265 987
Other assets	476 888	1 891	(892)	477 887
Total Assets	20 777 176	695 679	(500 124)	20 972 731
Deposits from central banks	1 776 514	–	–	1 776 514
Deposits from other credit institutions	1 114 036	4 001	(492 331)	625 706
Deposits from customers	12 640 967	614 480	–	13 255 447
Debt securities issued	2 362 336	–	–	2 362 336
Financial liabilities associated to transferred assets	244 419	–	–	244 419
Financial liabilities held for trading	84 794	–	–	84 794
Hedging derivatives	3 177	–	–	3 177
Provisions	14 163	129	–	14 292
Current tax liabilities	2 044	–	–	2 044
Deferred tax liabilities	533	–	–	533
Other subordinated debt	467 120	–	–	467 120
Other liabilities	489 441	12 830	(892)	501 379
Total Liabilities	19 199 544	631 440	(493 223)	19 337 761
Share capital	1 261 907	40 094	(7 001)	1 295 000
Other equity instruments	15 000	–	–	15 000
Fair value reserves	2 624	–	–	2 624
Other reserves and retained earnings	313 290	14 827	652	313 290
Profit for the period	(6 667)	9 318	(552)	2 099
Non-controlling interest	6 957	–	–	6 957
Total Equity	1 593 111	64 239	(6 901)	1 634 970
Total Liabilities and Equity	20 792 655	695 679	(500 124)	20 972 731

57. Risk management

The Group is subject to several risks during the course of its business.

The Group's risk management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

In this connection, monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the Group's business is subject are of particular importance.

The analysis and risk control are carried out in an integrated mode, through the «Direcção de Risco» («DRI»), which includes three departments:

- Credit Risk Department: responsible for development and integration in decision-making of internal models of credit risk analysis, and reporting on Prudential Equity and internal reports on credit risk;
- Market Risk Department: ensure the examination and supervisory reporting and internal market risk, interest rate, foreign exchange and liquidity, as well as their integration into decision-making processes of the trading room;
- Operational Risk Department: operational risk management responsible.

«DRI» also ensures coordination with the Bank of Portugal, in the field of prudential reports, including the level of capital requirements, liquidity risk and interest rate risk.

The trading room collaborates with DRI, in order to perform the measurement and monitoring of transaction risk and portfolio, as well as proper monitoring of the positions of the Group global risks.

Under the credit risk management and control have been developed several activities, including most importantly the regular realization of Committee of the Risk and Internal Control and policy delegation review of credit decision, in order to make it sensitive to the level expected risk of the client/transaction.

Additionally, was created the «Direcção de Análise de Crédito», which ensures the assessment of credit proposals from companies and individuals, as well as the assignment of internal ratings in the corporate segment.

On the regulatory and Basel II, were developed reports referred in Pillar II – Capital adequacy, and Pillar III – Market Discipline. Under Pillar II were reported to Bank of Portugal reports Process Self-Evaluation of the Capital Market («ICAAP»), Stress Testing and Risk Concentration as Instruction no. 2/2010, Bank of Portugal. The results of the reports point to the soundness of capital levels commensurate with the risks with greater materiality and the potential adverse developments in key macroeconomic indicators. At the level of risk concentration there is a positive development in the main types of concentration – Sectorial, Geographic and Individual. Under Pillar III, was made public the report of Market Discipline, detailing the types and levels of risk incurred in the activity, as well as the processes, structure and organization of risk management.

It also ensured the participation in the work of «Programa Especial de Inspecções», under the Memorandum signed between the Portuguese State and European Central Bank, European Commission and International Monetary Fund.

This program focused on three areas of work -credit impairment calculation, capital requirements for credit risk calculation and stress testing procedures. The results were very satisfactory, confirming the adequacy of procedures adopted by the Group.

The Group has also been following the recommendations of the Basel Committee and follows closely the developments in the Basel III framework of liquidity management and capital assessment, having been carried out analyzes of their impact. The Group has also regularly participated in Quantitative Impact Studies (QIS) Basel III, developed by Bank of Portugal in accordance with the guidelines of the European Bank Association (EBA). The documents published by the Basel Committee in late 2009, are now published in their final versions and is expected to be transposed into European directives soon (endorsed in the EU directive named CRR and CRD IV, having already started its transposition into national law in accordance with Regulation no. 6/2013 of Bank of Portugal, so the first official report according to the new rules will be made on March 2014).

Main types of risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk is the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal organization

The Executive Board of Directors is responsible for risk management strategy and policies, and it is advised by the Risk Analysis and Management Division in these fields, that undertake the analysis and the risk management from the standpoint of the Group, includes the coordination of the Risk Committee and Internal Control and reporting the level of the Asset and Liability Committee («ALCO») and the Committee on Information Technology.

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

Depending on the nature and severity of the risk, plans, programs or actions shall be drawn up, supported by information systems, and procedures shall be devised that provide a high degree or reliably as to the risk management measures defined whenever necessary.

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

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

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

Risk evaluation

Credit Risk – Retail

Credit risk models play a significant role in credit decision process. Indeed, the decision process concerning the credit portfolio depends on a group of policies based on scoring models developed to individual and business clients and the rating for the corporate sector.

Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants' behaviour. In order to support commercial strategies reactive scoring models are also used, namely in the main individual credit portfolios, such as mortgage and individual loans, distinguishing between customers and non-customers (or new customers).

To corporate credit are used internal rating models to medium and large companies, distinguishing construction from the other activity sectors, while for customers «Empresários em nome individual» and micro business is applied the scoring model business.

The Group's credit risk exposure can be analysed as follows:

(thousand euros)

	2013	2012
Deposits with Other credit institutions	233 785	235 659
Deposits with banks	330 063	224 324
Loans and advances to customers	15 555 264	15 703 547
Financial assets held for trading	56 297	126 718
Financial assets at fair value through profit or loss	3 450	12 300
Available-for-sale financial assets	4 001 982	2 054 519
Hedging derivatives	503	931
Held-to-maturity investments	34 631	27 495
Investments in associated companies and others	42 354	60 836
Other assets	182 422	399 660
Guarantees granted	471 714	464 722
Documentary credits	6 962	4 214
Irrevocable commitments	391 689	186 351
Credit default swaps (notionals)	25 000	32 500
	21 336 116	19 533 776

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

(thousand euros)

	2013							
Sector of activity	Loans and advances to customers		Financial assets held for trading	Other financial assets at fair value trough profit or loss	Available-for-sale financial assets		Held-to-maturity investments	Guarantees granted
	Gross Amount	Impairment	Gross Amount	Gross Amount	Gross Amount	Impairment	Gross Amount	Gross Amount
Agriculture	98 425	(4 802)	–	–	–	–	–	9 517
Mining	25 393	(4 366)	–	–	1 969	–	–	2 605
Food, beverage and tobacco	185 162	(13 614)	–	–	14 576	–	–	4 134
Textiles	69 158	(23 871)	–	–	–	–	–	448
Shoes	22 968	(4 935)	–	–	–	–	–	384
Wood and cork	41 700	(12 156)	–	–	–	–	–	2 607
Printing and publishing	83 399	(3 803)	–	–	–	–	–	361
Petroleum refining	86	(209)	–	–	7 594	–	–	–
Chemicals and rubber	123 131	(8 244)	–	–	400	–	–	1 808
Non-metallic minerals	52 000	(3 633)	–	–	–	–	–	2 974
Basis metallurgic industries and metallic products	148 452	(11 795)	–	–	74 227	–	–	10 290
Production of machinery	38 099	(2 849)	–	–	–	–	–	1 491
Production of transport material	29 976	(1 275)	–	–	–	–	–	198
Other transforming material	37 591	(4 975)	–	–	91 895	–	–	7 101
Electricity, gas and water	130 692	(650)	–	–	202 563	–	–	2 595
Construction	1 763 786	(321 369)	102	–	21 289	(998)	–	176 321
Wholesale and retail	962 834	(138 207)	–	–	5 074	–	–	74 380
Tourism	323 244	(19 415)	–	–	–	–	–	8 109
Transports	358 906	(22 448)	–	–	22 282	–	–	15 608
Communications and information activities	44 804	(6 056)	–	–	36 774	–	–	812
Financial activities	1 212 406	(33 298)	48 143	3 450	263 821	(1 859)	–	79 214
Real estates activities	841 922	(111 251)	–	–	–	–	–	25 732
Services provided to companies	398 785	(24 545)	481	–	1 224	–	–	15 869
Public services	115 608	(8 035)	–	–	3 089 700	(8 415)	34 631	6 285
Other activities of collective services	388 529	(13 685)	–	–	–	–	–	12 713
Mortgage loans	8 409 859	(133 017)	–	–	43 960	–	–	–
Others	699 752	(119 023)	–	–	135 906	–	–	10 158
Total	16 606 667	(1 051 526)	48 726	3 450	4 013 254	(11 272)	34 631	471 714

The analysis of the risk exposure by sector of activity, as at 31 December 2012, can be analysed as follows:

(thousand euros)

Sector of activity	Loans and advances to customers		Financial assets held for trading	Other financial assets at fair value trough profit or loss	Available-for-sale financial assets		Held-to-maturity investments	Guarantees granted
2012	Gross Amount	Impairment	Gross Amount	Gross Amount	Gross Amount	Impairment	Gross Amount	Gross Amount
Agriculture	80 306	(4 347)	–	–	–	–	–	6 199
Mining	49 123	(2 391)	–	–	–	–	–	1 546
Food, beverage and tobacco	159 576	(9 711)	–	–	2 948	–	–	5 461
Textiles	82 277	(22 844)	–	–	–	–	–	434
Shoes	23 395	(4 539)	–	–	–	–	–	154
Wood and cork	53 262	(10 173)	–	–	87 275	–	–	1 996
Printing and publishing	55 024	(3 606)	–	–	–	–	–	374
Petroleum refining	600	(305)	–	–	54 638	–	–	–
Chemicals and rubber	103 147	(8 772)	–	–	1 034	–	–	2 079
Non-metallic minerals	58 161	(3 172)	–	–	–	–	–	2 878
Basis metallurgic industries and metallic products	153 564	(9 538)	–	–	–	–	–	9 151
Production of machinery	49 270	(3 007)	–	–	260	–	–	1 691
Production of transport material	21 514	(1 062)	–	–	–	–	–	305
Other transforming material	45 734	(5 506)	–	–	129 000	(78)	–	1 709
Electricity, gas and water	110 573	(394)	–	3 165	5 466	–	–	5 261
Construction	2 167 840	(289 806)	–	–	2 245	(998)	–	198 770
Wholesale and retail	1 141 948	(116 120)	250	–	6 911	(148)	–	61 174
Tourism	346 941	(19 322)	–	–	7 314	–	–	10 039
Transports	240 004	(15 856)	–	–	22 831	–	–	11 362
Communications and information activities	56 133	(3 861)	–	–	30 721	–	–	1 169
Financial activities	557 047	(34 992)	108 499	9 135	299 369	(12 351)	–	68 814
Real estates activities	855 172	(101 860)	–	–	7 008	–	–	34 800
Services provided to companies	556 961	(23 544)	–	–	18 777	–	–	13 551
Public services	153 003	(3 636)	–	–	1 218 023	(11 257)	27 495	595
Other activities of collective services	443 293	(18 799)	–	–	999	–	–	10 824
Mortgage loans	8 404 707	(153 134)	–	–	44 597	–	–	–
Others	657 256	(51 987)	17 969	–	139 935	–	–	14 386
Total	16 625 831	(922 284)	126 718	12 300	2 079 351	(24 832)	27 495	464 722

With regard to credit risk, the financial assets portfolio predominantly maintains its position in bonds of sovereign issuers, mainly from Portuguese Republic.

During 2013, there was a reduction of the nominal credit default swaps portfolio, by the maturity of several deals, with the buying and selling of credit protection decreasing to Euro 9 000 thousands and Euro 16 000 thousands (from Euro 11 500 thousands and Euro 21 000 thousands as at December 2012, respectively).

In terms of credit quality, there was a raise in the average level of counterparties on maturity of the higher risk positions (BB-) and despite the reduction in credit rating of a foreign financial counterparty, from BBB to BBB-. Credit protection of Portuguese counterparts, the one below the investment grade, included buying and selling protecting positions of Euro 13 000 thousands and Euro 3 000 thousands, respectively.

Overall Risks and Financial Assets

Efficient balance sheet management also involves the Assets and Liabilities Committee («ALCO»), which examines interest rate, liquidity and exchange rate risks, namely as regards compliance with the limits set for the static and dynamic gaps calculated.

Normally the static interest rate and liquidity gaps are positive and moderate in size, with exception of those months when payments are made relating to bond issue debt service. As for exchange rate risk, the resources obtained in different currencies are hedged as assets in the respective monetary market and for periods not exceeding those of the resources, which mean any exchange rate gaps result mainly from possible unadjustments between the hedge and resource deadlines.

Concerning risk information and analysis, regular reports are provided on the credit and market risks on the company's financial assets and those of the other members of the Group. For the company's own portfolio, the various risk limits are defined using the Value-at-Risk («VaR») method. There are different exposure limits such as global «VaR» limits, by issuer, by asset type/class and rating. There are also limits of Stop Loss. Investment portfolio is mainly concentrated in bonds which as at the end of 2013 represented 89.14% of the total's portfolio.

The Group continuously calculates its own portfolios «VaR», given a 10-day horizon and a 99% confidence interval, by the method of historical simulation.

The following table presents the mainly indicators of these measures, as at 31 December 2013 and 2012:

(thousand euros)

	2013				2012			
	December	**Annual average**	**Maximum**	**Minimum**	**December**	**Annual average**	**Maximum**	**Minimum**
Interest rate GAP	(638 569)	(593 000)	(547 431)	(638 569)	(293 649)	(125 526)	42 597	(293 649)

Following the recommendations of Basel II (Pillar II) and Instruction no. 19/2005, of the Bank of Portugal, the Group calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlements («BIS») which requires the classification of non-trading balances and off balance positions by repricing intervals.

(thousand euros)

	Within 3 months	**3 to 6 months**	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**
31 December 2013					
Assets	10 640 454	4 329 060	444 732	1 872 064	2 320 753
Off balance sheet	9 173 090	135 747	844 643	99 448	–
Total	19 813 544	4 464 807	1 289 375	1 971 512	2 320 753
Liabilities	7 863 788	1 760 422	2 437 859	8 321 441	127 040
Off balance sheet	9 016 635	182 510	535 820	253 045	–
Total	16 880 423	1 942 932	2 973 679	8 574 486	127 040
GAP (Assets – Liabilities)	2 933 121	2 521 875	(1 684 304)	(6 602 974)	2 193 713
31 December 2012					
Assets	10 861 051	4 534 848	465 864	1 206 548	662 270
Off balance sheet	9 695 283	184 355	182 271	1 754 549	–
Total	20 556 334	4 719 203	648 135	2 961 097	662 270
Liabilities	6 362 202	1 901 153	2 047 909	7 551 138	161 855
Off balance sheet	10 046 033	436 494	5 900	1 328 004	–
Total	16 408 235	2 337 647	2 053 809	8 879 142	161 855
GAP (Assets – Liabilities)	4 148 099	2 381 556	(1 405 674)	(5 918 045)	500 415

Sensibility analysis

As at December, 2013, based on the interest rate gaps observed, an instantaneous positive variation in the interest rates by 100 bp would cause an increase in the income statement in Euro 32 893 thousands (2012: Euro 44 536 thousands).

The following table presents the average interests, in relation to the Group major assets and liabilities categories for the years ended 31 December 2013 and 2012, as well as the average balances and the income and expense for the year:

(thousand euros)

	2013			2012		
Products	**Average balance for the year**	**Average interest rate (%)**	**Income/ Expense**	**Average balance for the year**	**Average interest rate (%)**	**Income/ Expense**
Assets						
Loans and advances to customers	16 385 139	3.31	542 696	16 906 212	4.41	745 323
Deposits	124 482	1.46	1 818	116 001	0.80	930
Securities portfolio	3 281 675	4.78	156 907	2 665 351	6.37	169 813
Inter-bank loans and advances	225 380	0.12	277	256 795	1.82	4 680
Swaps	–		110 526	–		230 410
Total Assets	20 016 676		812 224	19 944 359		1 151 156
Liabilities						
Deposits from customers	13 154 293	2.57	337 444	13 204 002	3.41	450 127
Securities deposits	3 496 462	3.37	117 738	3 284 373	5.45	178 862
Interbank deposits	2 742 338	0.87	23 758	2 697 032	1.09	29 436
Other liabilities	156	0.64	1	260	30.77	80
Swaps	–		108 036	–		211 571
Total liabilities	19 393 249		586 977	19 185 667		870 076

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2013 is analysed as follows:

(thousand euros)

	2013							
	Euro	United States Dollar	Sterling Pound	Canadian Dollar	Suisse Franc	Japanese Yen	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	231 547	31 977	1 114	284	1 960	180	47 197	314 259
Loans and advances to credit institutions repayable on demand	213 463	18 751	179	197	340	28	827	233 785
Loans and advances to credit institutions	225 532	17 940	–	–	–	–	86 591	330 063
Loans and advances to customers	15 398 167	57 650	–	–	795	–	98 529	15 555 141
Financial assets held for trading	61 577	2 529	–	–	–	–	–	64 106
Other financial assets at fair value trough profit or loss	3 450	–	–	–	–	–	–	3 450
Available-for-sale financial assets	4 541 588	2 949	31	19	793	–	436	4 545 816
Hedging derivatives	503	–	–	–	–	–	–	503
Held-to-maturity investments	17 283	–	–	–	–	–	17 348	34 631
Investments in associated companies and others	42 399	–	–	–	–	–	–	42 399
Non-current assets held for sale	681 239	–	–	–	–	–	149	681 388
Property and equipment	543 534	–	–	–	–	–	–	543 534
Intangible assets	85 620	–	–	–	–	–	34 872	120 492
Current tax assets	56 336	–	–	–	–	–	2 943	59 279
Deferred tax assets	94	–	–	–	–	–	1 738	1 832
Deferred income tax assets	336 264	–	–	–	–	–	–	336 264
Other assets	(211 429)	218 704	11 899	37 150	857	–	115 080	172 261
Total Assets	22 227 167	350 500	13 223	37 650	4 745	208	405 710	23 039 203
Liabilities by currency								
Deposits from central banks	3 427 354	–	–	–	–	–	–	3 427 354
Deposits from other credit institutions	446 972	27 048	364	95	12	–	6	474 497
Deposits from customers	13 652 845	234 055	11 417	37 258	3 034	10	204 209	14 142 828
Debt securities issued	2 297 298	22 130	–	–	–	–	–	2 319 428
Financial liabilities associated to transferred assets	195 049	–	–	–	–	–	–	195 049
Financial liabilities held for trading	61 655	569	–	–	–	–	–	62 224
Hedging derivatives	1 849	–	–	–	–	–	–	1 849
Provisions	7 607	–	–	–	–	–	407	8 014
Current tax liabilities	1 353	–	–	–	–	–	–	1 353
Deferred tax liabilities	–	–	–	–	–	–	–	–
Other subordinated debt	370 078	–	–	–	–	–	–	370 078
Other liabilities	180 120	66 551	1 441	297	1 542	198	139 037	389 186
Total Liabilities	20 642 180	350 353	13 222	37 650	4 588	208	343 659	21 391 860
Net asset / liability by currency	1 584 987	147	1	–	157	–	62 051	1 647 343

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2012 is analysed as follows:

(thousand euros)

	2012							
	Euro	United States Dollar	Sterling Pound	Canadian Dollar	Suisse Franc	Japanese Yen	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	238 220	21 049	533	395	1 289	46	43 354	304 886
Loans and advances to credit institutions repayable on demand	216 991	16 635	515	340	502	33	643	235 659
Loans and advances to credit institutions	184 737	104	–	–	–	–	39 483	224 324
Loans and advances to customers	15 612 884	26 815	–	2	171	–	63 675	15 703 547
Financial assets held for trading	134 972	3 757	326	–	–	–	–	139 055
Other financial assets at fair value trough profit or loss	12 300	–	–	–	–	–	–	12 300
Available-for-sale financial assets	2 457 197	23 344	32	48	637	–	187	2 481 445
Hedging derivatives	931	–	–	–	–	–	–	931
Held-to-maturity investments	17 141	–	–	–	–	–	10 354	27 495
Investments in associated companies and others	60 836	–	–	–	–	–	–	60 836
Non-current assets held for sale	491 046	106	–	–	–	–	643	491 795
Property and equipment	388 260	–	–	–	–	–	–	388 260
Intangible assets	86 336	–	–	–	–	–	10 239	96 575
Current tax assets	57 913	–	–	–	–	–	1 134	59 047
Deferred tax assets	100	–	–	–	–	–	2 602	2 702
Deferred income tax assets	265 987	–	–	–	–	–	–	265 987
Other assets	69 933	253 065	18 114	73 988	2 953	–	59 834	477 887
Total Assets	20 295 784	344 875	19 520	74 773	5 552	79	232 148	20 972 731
Liabilities by currency								
Deposits from central banks	1 776 514	–	–	–	–	–	–	1 776 514
Deposits from other credit institutions	601 441	23 293	291	274	353	–	54	625 706
Deposits from customers	12 942 278	158 508	8 984	37 381	3 271	–	105 025	13 255 447
Debt securities issued	2 340 541	21 795	–	–	–	–	–	2 362 336
Financial liabilities associated to transferred assets	244 419	–	–	–	–	–	–	244 419
Financial liabilities held for trading	84 440	354	–	–	–	–	–	84 794
Hedging derivatives	3 177	–	–	–	–	–	–	3 177
Provisions	14 163	–	–	–	–	–	129	14 292
Current tax liabilities	2 044	–	–	–	–	–	–	2 044
Deferred tax liabilities	533	–	–	–	–	–	–	533
Other subordinated debt	467 120	–	–	–	–	–	–	467 120
Other liabilities	240 752	141 142	10 244	37 122	1 834	79	70 206	501 379
Total Liabilities	18 717 422	345 092	19 519	74 777	5 458	79	175 414	19 337 761
Net asset / liability by currency	1 578 362	(217)	1	(4)	94	–	56 734	1 634 970

Liquidity risk

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. Liquidity risk is monitored carefully, and prepared several reports for the purpose of prudential regulation and monitoring in place of ALCO Committee.

In addition, it is also carried out a follow-up of liquidity positions of a prudential point of view, calculated in the manner required by the Bank of Portugal (Instruction no. 13/2009).

The Group holds a pool of eligible assets that can serve as collateral in funding operations with European Central Bank, as at 31 December 2013 amounts to Euro 5 783 695 thousands (2012: Euro 3 139 482 thousands).

Operational risk

The Group has implanted an Integrated Continuing Business Plan, which allows to ensure the continuity of the operations in a case of a rupture in the activity. This system is held by an organizational structure, included in the DRI and exclusively dedicated to this assignment, delegates designated by each department.

Capital management and Solvency Ratio

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

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

– Basic Own Funds («BOF»): This category includes the share capital, the eligible reserves (excluding positive fair value reserves), the retained earnings, minority interest and preferential stocks. It is deducted the negative fair value reserves associated to stocks or other capital instruments, by the book value related to the Goodwill, intangible assets, deferred costs, actuarial losses and negative fair value reserves that come from responsibilities with benefits of post employment to employees above the corridor limit of 10% of maximum between those responsibilities and assets of the pension fund. They are also deducted 50% of its value the shares above 10% in financial institutions, as well as stakes in insurers. which extended the definition of deposits with excessive compensation and penalized their calculation methods in terms of the deduction to own funds. This instruction replaced the Instruction no. 28/2011 of Bank of Portugal; and

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

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

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

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

In 2011, the Group adapted the accounting policy of Pension Fund to the changes in International Accounting Standards. Previously, it was used to rule the designated corridor rule and in December 2011 came to recognize that the whole of actuarial reserves. Despite this change to accounting, in regulatory terms there were no changes since the Instruction no. 2/2012 2012 (and subsequent inclusion in the update of Regulation no. 6/2010) sets prudential treatment for this new accounting procedure, similar to that designated by rule of the corridor.

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

The capital adequacy of the Group as at 31 December 2013 and 2012 is presented as follows:

(thousand euros)

	2013	2012
Core Tier 1		
Paid-up capital	1 700 000	1 295 000
Net profit, General reserves, Special reserves	224 150	317 883
Other regulatory adjustments	(361 915)	(163 156)
	1 562 235	1 449 727
Basic own funds		
Other equity instruments	8 273	15 000
Deduction to basic own funds	(22 482)	(19 140)
	1 548 026	1 445 587
Complementary own funds		
Upper Tier 2	12 918	10 229
Lower Tier 2	303 638	430 674
Deductions to complementary own funds	(22 482)	(19 140)
	294 074	421 763
Deductions to total own funds	(15 615)	(12 918)
Total owned funds	1 826 485	1 854 433
Own funds requirements		
Credit risk	1 067 147	1 021 871
Market risk	3 664	4 201
Operational risk	64 281	66 235
	1 135 092	1 092 307
Prudential Ratio		
Ratio core Tier 1	11,01%	10,62%
Ratio Tier 1	10,91%	10,59%
Solvency ratio	12,87%	13,58%

58. Accounting standards recently issued

Recently Issued pronouncements already adopted by the Group in the preparation of the financial Statements are the following:

- **IAS 19 Revised – *Employee Benefits***

  The IASB, issued on 16th June 2011, amendments to «IAS 19 – Employee Benefits», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation no. 475/2012, 5th June.

  As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its defined benefit plans. Under IAS 19 (2011), The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

  Consequently, the net interest on the net defined benefit liability (asset) now comprises: (*i*) interest cost on the defined benefit obligation; (*ii*) interest income on plan assets; and (*iii*) interest on the effect on the asset ceiling.

  The changes did not have any impact on the Group's financial statements.

- **Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 – *Presentation of Financial Statements***

  The IASB, issued on 16th June 2011, amendments to «IAS 1 – Presentation of Financial Statements», effective (with retrospective application) for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation no. 475/2012, 5th June.

  As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

- **IFRS 7 (Amended) – *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities***

  The IASB, issued on 16th December 2011, amendments to «IFRS 7 – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation no. 1256/2012, 11th December.

  The Group did not have any impact from the adoption of the changes.

- **Improvements to IFRS (2009-2011)**

  The annual improvements cycle 2009-2011, issued by IASB on 17th May 2012, and endorsed by EU Commission Regulation no. 301/2013, 27th March, introduce amendments, with effective date for annual periods beginning on, or after, 1st January 2013, to the standards IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34 and IFRIC 2.

  IAS 1 – *Presentation of Financial Statements*

  This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the information disclosed in the previous period.

  IAS 16 – *Property Plant and Equipment*

  This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

  IAS 32 – *Financial Instruments*, *Presentation and IFRIC 2*

  The improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes, avoiding any interpretation that may mean any other application.

IAS 34 – *Interim Financial Reporting*

The amendments align the disclosure requirement for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures in relation to the changes of profit and loss account and other comprehensive income.

The Group had no impact from the adoption of the improvements 2009-2011, taking into consideration the accounting policies already adopted.

- **IFRS 13 – *Fair Value Measurement***

  The IASB, issued on 12th May 2011, «IFRS 13 – Fair value Measurement», effective (with prospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation no. 1255/2012, 11th December.

  In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value, as set out in note 1 *a*), prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that these disclosures were required by other standards before the effective date of IFRS 13, the Group has provided the relevant comparative disclosures under those standards.

- **IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine***

  The International Financial Reporting Interpretations Committee (IFRIC), issued on 19th October 2011, «IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation no. 1255/2012, 11th December.

  Given the nature of the Group´s operation, this interpretation did not have any impact on the financial statements.

The Group decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective:

- **IAS 32 (Amended) – *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities***

  The IASB, issued on 16th December 2011, amendments to «IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities», effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation no. 1256/2012, 11th December.

  The IASB amended IAS 32 to add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the phrase «currently has a legal enforceable right of set-off» means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.

  The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

  The Group is not expecting a significant impact form the adoption of the amendment to IAS 32, taking into consideration the accounting policy already adopted.

- **IAS 27 (Revised) – *Separate Financial Statements***

  The IASB, issued on 12th May 2011, amendments to «IAS 27 – Separate Financial Statements», effective (with prospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation no. 1254/2012, 11th December.

  Taking in consideration that IFRS 10 addresses the principles of control and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements.

  The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent. The previous version required the disclosure of the country of incorporation or residence of such entities.

On the other hand, it was aligned the effective dates for all consolidated standards (IFRS10, IFRS11, IFRS12, IFRS13 and amendments to IAS 28).

The Group expects no impact from the adoption of this amendment on its financial statements.

- **IFRS 10 – *Consolidated Financial Statements***

The IASB, issued on 12th May 2011, «IFRS 10 Consolidated Financial Statements», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

IFRS 10, withdraw part of IAS 27 and SIC 12, and introduces a single control model to determine whether an investee should be consolidated.

The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between the two. An investment controls an investee when it is exposed, or has rights, to variability returns from its involvement with the investee and is able to affect those returns through its power over the investee (facto control).

The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should be done at each reporting period because the relation between power and exposure variability in returns may change over the time.

Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as silo).

The new standard also introduce other changes such as: *i*) accounting requirements for subsidiaries in consolidation financial statements are carried forward from IAS 27 to this new standards and *ii*) enhanced disclosures are requires, including specific disclosures for consolidated and unconsolidated structured entities.

Nevertheless, the Group does not expect any significant impact on the application of this standard on its financial statements.

- **IFRS 11 – *Joint Arrangements***

The IASB, issued on 12th May 2011, «IFRS 11 Joint arrangements», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation no. 1254/2012, 11th December that allows a delayed on mandatory application for 1st January 2014.

IFRS 11 withdraw IAS 31 and SIC 13, defines «joint control» by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a «join arrangement» to determine the nature of the joint arrangement («joint operations» or «joint ventures») by assessing its rights and obligations.

IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of «joint venture» must be account for using the equity method (IAS 28).

The Group is assessing the impact of the introduction of this standard, however the Group does not expects a significant impact.

- **IAS 28 (Revised) – *Investments in Associates and Joint Ventures***

The IASB, issued on 12th May 2011, «IAS 28 Investments in Associates and Joint Ventures», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. This amendment was endorsed by EU Commission Regulation no. 1254/2012, 11th December that allows a delayed on mandatory application for 1st January 2014.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 Investments in Associates and Joint ventures, and describes the application of the equity method to investments in joint ventures and associates.

The Group expects no significant impact from the adoption of this amendment on its financial statements.

- **IFRS 12 – *Disclosures of Interest in Other Entities***

The IASB, issued on 12th May 2011, «IFRS 12 Disclosures of Interests in Other Entities», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. This amendment was endorsed by EU Commission Regulation no. 1254/2012, 11th December that allows a delayed on mandatory application for 1st January 2014.

The objective of this new standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (*a*) the nature of, and risks associated with, its interests in other entities; and (*b*) the effects of those interests on its financial position, financial performance and cash flows.

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

The Group is still assessing the full impact of the new IFRS 12 in align with IFRS 10 and IFRS 11.

- ***Investment Entities*** **– Amendments to IFRS 10, IFRS 12 and IAS 27 (issued by IASB on 31st October 2012)**

  The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term «investment entity» to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

  The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

  The amendments are effective from 1 January 2014 with early adoption permitted. This option allows investment entities to apply the new amendments of IFRS 10 after 1st January, 2013. This standard was adopted by the European Commission Regulation no. 1374/2013, of 20th November.

  The Group expects no impact from the adoption of this amendment on its financial statements.

- **IAS 36 (Revised) –** ***Recoverable Amount Disclosures for Non-Financial Assets***

  The IASB, issued on 29th May 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation no. 1374/2013, 19th December.

  The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

- **IAS 39 (Revised) –** ***Financial instruments: Novation of Derivatives and Continuation of Hedge Accounting***

  The IASB, issued on 27th June 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation no. 1375/2013, 19th December.

  The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted.

Recently Issued pronouncements that are not yet effective for the Group

- **IAS 19 (Revised) –** ***Defined Benefit Plans: Employee Contributions***

  The IASB, issued on 21th November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st July 2014.

  The Amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

  The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

- **IFRIC 21 – *Levies***

  The IASB, issued on 20th May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1st January 2014.

  IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have any effect on the Group's financial statements.

- **Improvements to IFRS (2010-2012)**

  The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38.

  IFRS 2 – *Definition of vesting condition*

  The amendment clarify the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separate the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

  IFRS 3 – *Accounting for contingent consideration in a business combination*

  The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely: classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

  IFRS 8 – *Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets*

  The amendment clarify the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

  IFRS 13 – *Short-term receivables and payables*

  IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39AG79, in applying IFRS 3, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

  IAS 16 and IAS 40 – *Revaluation method – proportionate restatement accumulated depreciation or amortization*

  In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 40 to clarify that: (*i*) the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and (*ii*) the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

  IAS 24 – *Related Party Transactions – Key management personal services*

  In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

- **Improvements to IFRS (2011-2013)**

  The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40.

  IFRS 1 – *Meaning of «effective IFRS»*

  IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

IFRS 3 – *Scope exceptions for joint ventures*

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – *Scope of paragraph 52 – portfolio exception*

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis.

This is referred to as the portfolio exception. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

IAS 40 – *Interrelationship with IFRS 3 when classify property as investment property or owner-occupied property*

The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

- **IFRS 9 – *Financial instruments* (issued in 2009 and revised in 2010 and 2013)**

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. The IASB currently has an active project of additional disclosures requirements limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI. No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised.

The Group has started the process of evaluating the potential effect of this standard but is waiting for the finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

59. Sovereign debt of European Union countries subject to bailout

As at 31 December 2013, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

(thousand euros)

	2013						
Issuer/portfolio	Book value	Fair value	Fair value reserves	Impairment	Average maturity rate	Average maturity years	Fair value measurement levels
Portugal							
Financial assets held for trading	3 053 183	3 053 183	33 402	–	4,67	5,48	1
Held to maturity financial assets	6 149	6 298	–	–	3,35	1,79	n.a.
	3 059 332	3 059 481	33 402	–			
Greece							
Financial assets held for trading	10 066	10 066	123	(8 415)	1,26	24,16	1
	3 069 398	3 069 547	33 525	(8 415)			

As at 31 December 2012, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

(thousand euros)

	2012						
Issuer/portfolio	Book value	Fair value	Fair value reserves	Impairment	Average maturity rate	Average maturity years	Fair value measurement levels
Portugal							
Financial assets held for trading	1 115 916	1 115 916	9 037	–	3,40	2,05	1
Held to maturity financial assets	6 185	6 246	–	–	3,38	2,76	n.a.
	1 122 101	1 122 162	9 037	–			
Greece							
Financial assets held for trading	7 102	7 102	71	(11 257)	1,26	25,16	1
	1 129 203	1 129 264	9 108	(11 257)			

For the public debt of Portugal, Greece and Ireland do not have occurred in the year ended December 31, 2013 and 2012 no reclassifications between portfolios.

The evolution of the European Union sovereign debt crisis and specifically the economic and political environment in Greece, which contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the international markets, which implied that the short term solvency of the country is dependent on the continuous support by EU and IMF.

Impairment was determined considering the terms of the agreement established between the Greek state and the private sector («PSI»), related to the restructuring of the Greek sovereign debt (GGBs'). For the purposes of determining impairment, the Group considered the terms and conditions of the PSI and also paragraph AG 84 of IAS 39 that considers reasonable that, for the portfolio of assets held to maturity when, for practical reasons, there are relevant uncertainties regarding the estimate of future cash-flows, impairment can be determined based on observable market prices.

Considering the available information regarding the bonds' characteristics, the fair value corresponded to approximately 23% of the book value of the portfolio. Following of the restructuring of the Greek sovereign debt in the second quarter of 2012, the impairment was charged off. The exchange offer occurred in 12 March 2012.

60. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The financial assets sold under these transactions are derecognized from the balance sheet of the Group, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities:

– determine the objective of the Fund;

– manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which the Group holds minority positions) establish companies under the Portuguese law in order to acquire the loans to the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds fully subscribed by the funds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the sale value.

These junior bonds, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus it related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions, the Group subscribed:

– Participation units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Group has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end.

– Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed the derecognition of the assets transferred under the scope of IAS 39.20 c (*i*) and the recognition of the assets received as follows:

(thousand euros)

	Dec 2013			Dec 2012		
	Values associated with the transfer of assets			Values associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Vallis Construction Sector Fund	18 794	20 889	2 095	14 028	15 791	1 763
Fundo de Reestruturação Empresarial, FCR	25 655	25 777	122	–	–	–
Discovery Portugal Real Estate Fund	9 995	11 681	1 686	–	–	–
	54 444	58 347	3 903	14 028	15 791	1 763

(thousand euros)

	Dec 2013				
	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Vallis Construction Sector Fund	15 619	6 153	21 772	(6 153)	15 619
Fundo de Reestruturação Empresarial, FCR	48 002	–	48 002	–	48 002
Discovery Portugal Real Estate Fund	11 724	–	11 724	–	11 724
	75 345	6 153	81 498	(6 153)	75 345

(thousand euros)

	Dec 2012				
	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Vallis Construction Sector Fund	14 144	4 874	19 018	(4 874)	14 144

The net assets transferred amounted Euro 54 443 thousands (2012: Euro 15 318 thousands), as described in note 22.

The junior securities correspond to supplementary capital in the amount of Euro 6 153 thousands (2012: Euro 4 874 thousands), as referred in note 25.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for, in accordance with note 15.

Although the junior bonds are fully provided, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

61. Subsidiary companies

As at 31 December 2013, the companies under full consolidation in the Group are presented as follows:

Subsidiary Company	Head of office	Share Capital	Activity	% Held
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, SA (IFI)	Praia	Euros 8 996 000	Banking	100.00%
Montepio Holding, SGPS, S.A.	Porto	Euros 175 000 000	Holding company	100.00%
Montepio Investimento, S.A.	Porto	Euros 180 000 000	Banking	100.00%
Montepio Crédito – Instituição Financeira de Crédito, S.A.	Porto	Euros 30 000 000	Finance lease	100.00%
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	Porto	Euros 1 550 000	Investment fund management	100.00%
Montepio Recuperação de Crédito, ACE	Lisboa	–	Services	93.00%
Finibanco Angola, S.A.	Luanda	AOA 4 182 000 000	Banking	87.67%

As at 31 December 2013, the companies included in the consolidated accounts under the equity method are as follows:

Subsidiary Company	Head of office	Share Capital	Activity	% Held
Montepio Seguros, S.G.P.A., S.A.	Lisboa	Euros 137 750 000	Insurance	33.65%
HTA – Hóteis, Turismo e Animação dos Açores, S.A.	Ilha de São Miguel	Euros 10 000 000	Hotels with restaurants	20.00%
Iberpartners Cafés S.G.P.S., S.A.	Lisboa	Euros 3 400 000	Holding Company	29.41%
Nutre S.G.P.S., S.A.	Oliveira de Frades	Euros 5 000 000	Holding Company	20.00%

The presented percentage reflects the economic interest of the Group.

In addition, and in accordance with SIC 12, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary Company	Establishment year	Acquisition year	Head of office	% of controlling interest	Consolidation method
Pelican Mortgages No. 1 PLC	2002	2002	Dublin	100%	Integral
Pelican Mortgages No. 2 PLC	2003	2003	Dublin	100%	Integral
Finipredial – Fundo de Investimento Imobiliário Aberto	1997	2012	Lisboa	65.62%	Integral
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisboa	100%	Integral
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisboa	100%	Integral
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional III (FIIAH)	2013	2013	Lisboa	100%	Integral
Polaris – Fundo de Investimento Imobiliário Fechado	2009	2012	Lisboa	100%	Integral
PEF – Portugal Estates Fund	2013	2013	Lisboa	100%	Integral

62. Subsequent events

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

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
Edifício Monumental
Av. Praia da Vitória, 71 – A, 11º
1069-006 Lisboa
Portugal

Telephone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

CONSOLIDATED AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

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

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report, on the consolidated financial information included in the Annual Report of the Board of Directors and in the accompanying consolidated financial statements as at and for the year ended 31 December, 2013 of **Caixa Económica Montepio Geral Group** which comprise the consolidated balance sheet as at 31 December, 2013 (showing total assets of 23,039,203 thousand Euro and total equity attributable to the equity holders of CEMG of 1,636,308 thousand Euro, including a net loss attributable to the equity holders of CEMG of 298,626 thousand Euro), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the corresponding notes.

Responsibilities

2 The Executive Board of Directors is responsible for:

a) the preparation of consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union which presents fairly, in all material respects, the financial position of the group of companies included in the consolidation, the consolidated results of its operations, the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows;

b) the preparation of historical financial information in accordance with the IFRS that is complete, true, current, clear, objective and lawful as established by the Portuguese Securities Market Code ('CVM');

c) the adoption of adequate accounting policies and criteria;

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

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

3 Our responsibility is to verify the consolidated 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 CVM in order to issue a professional and independent opinion based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our audit included:

- verification that the financial statements of the companies included in the consolidation have been properly audited and,in those significant cases in which they were not, verification , on a sample basis, of the documents underlying the figures and disclosures contained therein, and an assessment of the estimates made, based on judgments and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;

- verification of the consolidation procedures and of the application of the equity method;

- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;

- assessing the applicability of the going concern principle;

- assessing the overall adequacy of the consolidated financial statements presentation; and

- the assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the consolidated financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").

6 We believe that our audit provides a reasonable basis for our opinion.

KPMG

Opinion

7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Caixa Económica Montepio Geral**, as at 31 December, 2013, the consolidated results of its operations, the consolidated comprehensive income, the consolidated cash flows and the consolidated changes in equity for the year then ended, in accordance with IFRS as adopted by the European Union and the information contained therein is complete, true, current, clear, objective and lawful.

Report on Other Legal Requirements

8 It is also our opinion that the consolidated financial information included in the Board of Directors report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 7 April, 2014

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Jean-éric Gaign (ROC N.º 1013)

8.2. INDIVIDUAL FINANCIAL STATEMENTS

INDIVIDUAL BALANCE SHEET AS AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	2013			2012
	GROSS ASSETS	IMPAIRMENT AND DEPRECIATION	NET ASSETS	NET ASSETS
ASSETS				
Cash and deposits at central banks	242 372		242 372	247 587
Deposits at other credit institutions	84 578		84 578	57 370
Financial assets held for trading	62 531		62 531	132 857
Other financial assets at fair value through profit or loss	3 450		3 450	12 300
Financial assets available for sale	9 019 966	77 679	8 942 287	6 730 502
Other loans and advances to credit institutions	292 454	810	291 644	250 758
Credit to customers	16 183 472	1 043 503	15 139 969	15 031 977
Investments held to maturity	17 227		17 227	17 222
Hedging derivatives	503		503	931
Non-current liabilities held for sale	751 646	88 415	663 231	472 877
Other tangible assets	190 948	146 632	44 316	55 651
Intangible assets	140 719	28 479	112 240	108 872
Investments in subsidiaries, associates and joint ventures	418 547		418 547	390 547
Current tax assets	10		10	10
Deferred tax assets	313 702		313 702	243 313
Other assets	133 415	3 086	130 329	376 085
TOTAL ASSETS	**27 855 540**	**1 388 604**	**26 466 936**	**24 128 859**
PLIABILITIES				
Resources from central banks			3 427 354	1 776 514
Financial liabilities held for trading			62 242	84 808
Resources from other credit institutions			1 100 965	1 125 074
Resources from customers			13 620 187	12 675 903
Debt securities issued			2 166 018	2 188 099
Financial liabilities relating to transferred assets			3 444 852	3 743 731
Hedging derivatives			1 849	3 177
Provisions			115 911	110 199
Current tax liabilities			1 353	1 239
Other subordinated liabilities			386 378	479 667
Other liabilities			439 821	331 976
TOTAL LIABILITIES			**24 766 930**	**22 520 387**
EQUITY				
Share capital			1 700 000	1 295 000
Other equity instruments			8 273	15 000
Revaluation reserves			33 279	3 621
Other reserves and retained earnings			220 967	292 595
Net income for the year			-262 513	2 256
TOTAL EQUITY			**1 700 006**	**1 608 472**
TOTAL LIABILITIES AND EQUITY			**26 466 936**	**24 128 859**

THE CHARTERED ACCOUNTANT
Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS
António Tomás Correia – Chairman
Jorge Humberto Cruz Barros Jesus Luís
Pedro Miguel de Almeida Alves Ribeiro
Fernando Paulo Pereira Magalhães

INDIVIDUAL INCOME STATEMENT AS AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	2013	2012
Interest and similar income	849 457	1 123 092
Interest and similar costs	643 346	865 634
NET INTEREST INCOME	**206 111**	**257 458**
Dividends from equity instruments	1 883	2 039
Fees and commissions income	129 154	120 106
Fees and commissions expenses	18 986	19 492
Gains arising from assets and liabilities at fair value through profit or loss	- 27 749	- 65 782
Gains arising from financial assets available for sale	47 871	70 872
Gains arising from currency revaluation	3 750	4 220
Gains arising from sale of other assets	35 437	26 132
Other net operating income	- 6 563	42 811
NET OPERATING INCOME	**370 908**	**438 364**
Personnel costs	183 674	185 916
General administrative overheads	98 708	107 962
Depreciation for the year	26 974	36 884
Provisions net of adjustments	5 712	- 9 814
Adjustments for customer credit and receivables from other debtors (net of recovery of undue payments and write-offs)	308 077	250 345
Other financial assets impairment (net of reversals and recoveries)	31 818	35 480
Other assets impairment (net of reversals and recoveries)	62 407	6 175
PROFIT BEFORE TAX	**- 346 462**	**- 174 584**
Taxes	83 949	176 840
PROFIT AFTER TAX	**- 262 513**	**2 256**

THE CHARTERED ACCOUNTANT
Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS
António Tomás Correia – Chairman
Jorge Humberto Cruz Barros Jesus Luís
Pedro Miguel de Almeida Alves Ribeiro
Fernando Paulo Pereira Magalhães

STATEMENT OF CASH FLOW FOR THE YEARS ENDED AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	2013	2012
Cash flows arising from operating activities		
Interest income received	870 769	1 253 310
Commissions income received	127 868	121 947
Interest expense paid	(660 185)	(713 962)
Commissions expense paid	(18 149)	(17 024)
Payments to employees and supliers	(299 611)	(397 008)
Recoveries on loans previously written off	5 492	2 731
Other payments and receivables	155 089	168 497
	181 273	**418 491**
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	(770 299)	1 485 249
Other assets	(63 686)	(593 369)
	(833 985)	**891 880**
(Increase) / decrease in operating liabilities		
Deposits from clients	991 012	(522 101)
Deposits from credit institutions	(1 783 980)	(2 053 217)
Deposits from central banks	3 395 000	1 760 000
	2 602 032	**(815 318)**
	1 949 320	**495 053**
Cash flows arising from investing activities		
Dividends received	1 883	2 039
(Acquisition) / sale of trading financial assets	57 515	(48 356)
(Acquisition) / sale of other financial assets at fair value through profit or loss	8 850	(8 694)
(Acquisition) / sale of available for sale financial assets	(2 272 457)	(652 573)
(Acquisition) / sale of hedging derivatives	(633)	894
(Acquisition) / sale of held to maturity investments	(6)	30 375
(Acquisition) / sale of shares in associated companies	(27 999)	(6 000)
Deposits owned with the purpose of monetary control	21 122	139 896
Proceeds from sale of fixed assets	230	45 320
Acquisition of fixed assets	(20 388)	(35 606)
	(2 231 883)	**(532 705)**
Cash flows arising from financing activities		
Dividends paid	(1 692)	(16 584)
Capital increase	405 000	50 000
Other equity instruments	(6 727)	–
Proceeds from issuance of bonds and subordinated debt	1 633 550	1 222 147
Redemption of bonds and subordinated debt	(1 699 603)	(1 240 377)
Increase / (decrease) in other sundry liabilities	(4 850)	(16 922)
	325 678	**(1 736)**
Net changes in cash and equivalents	**43 115**	**(39 388)**
Cash and equivalents balance at the beginning of the year	**196 376**	**235 764**
Net changes in cash and equivalents	43 115	(39 388)
Cash and equivalents balance at the end of the year	**239 491**	**196 376**
Cash and equivalents balance at the end of the year		
Cash (note 18)	154 913	139 006
Loans and advances to credit institutions repayable on demand (note 19)	84 578	57 370
Total	**239 491**	**196 376**

See accompanying notes to the Individual Financial Statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	Total Equity	Share Capital	Share instruments	Other capital instruments	General and special reserves	Other reserves	Fair value reserves	Retained earnings
Balance on 1 January, 2012	**1 241 573**	**1 245 000**	**–**	**15 000**	**245 504**	**8 404**	**(316 692)**	**44 357**
Other movements recognised directly in Equity:								
Amortization of the transition adjustment to pensions net of deferred taxes (Regulation no.12/01) (note 49)	(10 023)	–	–	–	–	–	–	(10 023)
Actuarial losses for the year (note 49)	31 410	–	–	–	–	–	–	31 410
Deferred taxes related to balance sheet changes (note 31)	5 943	–	–	–	–	–	1 953	3 990
Changes in fair value (note 45)	309 956	–	–	–	–	–	309 956	–
Profit for the period	2 256	–	–	–	–	–	–	2 256
Increase in share capital (note 41)	50 000	50 000	–	–	–	–	–	–
Dividends paid (note 46)	(16 584)	–	–	–	–	–	–	(16 584)
Costs related to the issue of perpetual subordinated instruments	(900)	–	–	–	–	–	–	(900)
Other movements	(5 159)	–	–	–	–	–	–	(5 159)
Transfers of reserves:								
General Reserve	–	–	–	–	6 564	–	–	(6 564)
Special Reserve	–	–	–	–	1 641	–	–	(1 641)
Balance on 31 December, 2012	**1 608 472**	**1 295 000**	**–**	**15 000**	**253 709**	**8 404**	**(4 783)**	**41 142**
Other movements recognised directly in Equity:								
Amortization of the transition adjustment to pensions net of deferred taxes (Regulation no.12/01) (note 49)	(3 488)	–	–	–	–	–	–	(3 488)
Actuarial losses for the year (note 49)	(65 424)	–	–	–	–	–	–	(65 424)
Deferred taxes related to balance sheet changes (note 31)	(14 903)	–	–	–	–	–	(12 384)	(2 519)
Changes in fair value (note 45)	42 042	–	–	–	–	–	42 042	–
Profit for the period	(262 513)	–	–	–	–	–	–	(262 513)
Increase in share capital (note 41)	205 000	205 000	–	–	–	–	–	–
Increase in share capital by subscription of Share instruments (note 42)	200 000	–	200 000	–	–	–	–	–
Repurchase of perpetual subordinated Instruments	(6 727)	–	–	(6 727)	–	–	–	–
Dividends paid (note 46)	(1 692)	–	–	–	–	–	–	(1 692)
Costs related to the issue of perpetual subordinated instruments	(761)	–	–	–	–	–	–	(761)
Transfers of reserves:								
General Reserve	–	–	–	–	451	–	–	(451)
Special Reserve	–	–	–	–	113	–	–	(113)
Balance on 31 December, 2013	**1 700 006**	**1 500 000**	**200 000**	**8 273**	**254 273**	**8 404**	**24 875**	**(295 819)**

See accompanying notes to the Individual Financial Statements

STATEMENT OF COMPREHENSIVE INCOME IFOR THE YEARS ENDED AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	Notes	2013	2012
Items that may be reclassified into the Income Statement			
Fair value reserve			
Available-for-sale financial assets	45	42 042	309 956
Taxes	45	(12 384)	1 953
		29 658	**311 909**
Items that won't be reclassified into the Income Statement			
Actuarial losses for the year	49	(65 424)	31 410
Amortization of the transition adjustment to pensions net of deferred assets (Regulation no. 12/01)	49	(3 488)	(10 023)
Deferred taxes	31	(2 519)	3 990
Costs related to the issue of perpetual subordinated instruments		(761)	(900)
		(72 192)	**24 477**
Profit for the year		**(262 513)**	**2 256**
Total comprehensive income/(loss) for the period		**(305 047)**	**338 642**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
31 DECEMBER, 2013

1. Accounting policies

a) Basis of presentation

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

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

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

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July, 2002, the 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 Bank of Portugal. NCA's are composed by all the standards included in the International Financial Reporting Standards («IFRS») as adopted for use in the European Union, with the exception of issues regulated in the Regulation no. 4/2005 of Bank of Portugal. NCA's comprise accounting standards issued by the International Accounting Standards Board («IASB») and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee («IFRIC») and its predecessor body with the exception of issues regulated in the Regulations no. 1/2005 and 4/2005of Bank of Portugal: *i*) valuation and provisioning of loans, for which it will be kept the current system, *ii*) benefits to employees through the establishment of a deferral period for the accounting impact resulting from the transition to the criteria of IAS 19 and *iii*) restriction of application some options in the IAS/IFRS. The financial statements presented herein were approved by the Executive Board of Directors of CEMG on 26 March, 2014. The financial statements are presented in Euro rounded to the nearest thousand.

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

CEMG financial statements for the year ended 31 December 2013 have been prepared in terms of recognition and measurement in accordance with the NCA's, established by Bank of Portugal and in use in the period.

CEMG has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2013, as referred in note 53.

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 financial 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 financial liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation net of the value of the fund.

The accounting policies in this note were applied consistently to all entities of Bank and are consistent with those used in the preparation of the financial statements of the previous period, except for the adoption and amendments to the following standards:

– *IFRS 13 Fair value measurement*

IFRS 13 provides a guidance about fair value measurement and replacing guidance that was scattered in several standards. The standard defines fair value as the price for which an orderly transaction to sell an asset or to transfer a liability would be realized between market participants at the measurement date. The standard has been applied prospectively by the Group, without significant impacts in the measurement of its assets and liabilities.

– *IAS 1 Presentation of Financial Statements – Presentation of items of other comprehensive income*

The amendments to IAS 1 only had impact on the presentation of the Statement of Comprehensive Income, which presents now the separation of the items that may be reclassified to the income statement and the items that will not be reclassified to the income statement. The comparative information was also changed.

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

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

b) Loans and advances to customers

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

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

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

Impairment

As referred in the accounting policy described in note 1 *a*), CEMG has prepared its financial statements in accordance with NCA's therefore, in accordance with no. 2 and 3 of Regulation no. 1/2005 from Bank of Portugal, CEMG adopted the same requirements for measurement and provision of loans and advances to customers used in the previous years, described as follows:

Specific provision for loan losses

The specific provision for loan losses is based on the appraisal of overdue loans including the related non overdue amounts and loans subject to restructuring, to cover specific credit risks. This provision is shown as a deduction against loans and advances to customers. The adequacy of this provision is reviewed regularly by CEMG, taking into consideration the existence of asset-backed guarantees, the overdue period and the current financial situation of the client.

The provision calculated under these terms, complies with the requirements established by Bank of Portugal, in accordance with Regulations no. 3/95, of 30 June, no. 7/00, of 27 October and no. 8/03, of 30 January.

General provision for loan losses

This provision is established to cover latent bad and doubtful debts which are present in any loan portfolio, including guarantees or signature credits, but which have not been specifically identified as such. This provision is recorded under provision for liabilities and charges.

The general provision for loan losses is in accordance with Regulation no. 3/95, of 30 June, Regulation no. 2/99, of 15 January and Regulation no. 8/03, of 30 January of Bank of Portugal.

Provision for country risk

The provision for country risk is in accordance with Regulation no. 3/95, of 30 June from Bank of Portugal, and is based on the Instruction no. 94/96, of 17 June, of Bank of Portugal, including the adoption of changes made to paragraph 2.4 of the referred Instruction published in October 1998.

Write-off of loans

In accordance with «Carta-Circular» no. 15/2009 of Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralised is effectively received and, according to Regulation no. 3/95 of Bank of Portugal, the class of delay associated with the failure determines an allowance of 100%, by using impairment losses.

c) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

The interest from debt instruments are recognized as interest margin.

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

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

CEMG has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of CEMG's credit risk related with financial liabilities accounted under the Fair Value Option are disclosed in «Net gains/(losses) arising from trading and hedging activities».

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

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

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

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

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

2) Financial assets available for sale

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

In the sale of the financial assets available for sale, the accumulated gains or losses recognized as fair value reserves are recognized under Net gains/(losses) arising from available for sale financial assets. Interest income from debt instruments is recognized in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognized in the income statement when the right to receive the dividends is attributed.

3) Investments held-to-maturity

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

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

4) Loans and receivables – Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

The financial gains or losses calculated at the time of the repurchase of other financial liabilities are recognized as Net gains/(losses) arising from trading and hedging activities when occurred.

(ii) Impairment

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

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

(iii) Embedded derivatives

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

d) Derivatives hedge accounting

(i) Hedge accounting

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

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

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

– the hedge is expected to be highly effective;

– the effectiveness of the hedge can be reliably measured;

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

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

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

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

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

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis.

Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

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

– Recognized immediately in results, if the hedged instrument is extinguished.

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

(iv) Hedge effectiveness

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

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

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

e) Reclassifications between financial instruments categories

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

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

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

CEMG adopted this possibility for a group of financial assets.

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

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

f) Derecognition

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

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

g) Equity instruments

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

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

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

h) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

i) Investments in subsidiaries and associates

Investments in subsidiaries and associated are accounted for in CEMG's individual financial statements at its historical cost less any impairment losses.

Impairment

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

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

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

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

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

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

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

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

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

k) Finance lease transactions

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

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

l) Interest income and expense

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

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

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

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

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

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

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

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

m) Fee and commission income

Fees and commissions are recognized according to the following criteria:

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

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

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

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

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

o) Fiduciary activities

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

p) Property and equipment

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

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

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

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

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

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

q) Intangible Assets

Software

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

Other intangible assets

The recoverable amount of intangible assets without finite useful life as an asset is reviewed annually, regardless of the existence of signs of impairment. Any impairment losses are recognized in certain income statement.

r) Cash and cash equivalents

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

Cash and cash equivalents exclude restricted balances with Central Banks.

s) Offsetting

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

t) Foreign currency transactions

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

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

u) Employee benefits

Pensions

Arising from the signing of the «Acordo Colectivo de Trabalho» (ACT) and subsequent amendments resulting from the 3 tripartite agreements as described in Note 49, CEMG sets up pension funds and other mechanisms to cover the liabilities with pensions on retirement and disability, widows' pension, health-care benefits and death subsidy.

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

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

The liability with pensions is calculated annually by CEMG, as at 31 December and 30 June for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries. The discount rate used in this calculation is determined based on market rates of emissions associated with high quality corporate bonds, denominated in the currency in which benefits will be paid and with a similar maturity to the date of termination of the plan.

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

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

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

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

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

To the preparation of financial information according to NCA's, the recognition of the impact calculates as at 31 December, 2004, following the initial application of NCA's, that was previously amortized on a linear basis started, with Regulation no. 7/2008 of 18 October of Bank of Portugal, to be amortized for an additional period of three years until 31 December 2012, with the exception of the portion corresponding to the liabilities related to health care benefits and assumption changes related to mortality table, for which the amortized period may be seven years.

Health care benefits

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

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

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

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

Long-term service benefits

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

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

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

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

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

Bonus to employees and to the Executive Board of Directors

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

v) Income taxes

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

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

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

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

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

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

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

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

w) Segmental reporting

The Group adopted the IFRS 8 – Operating Segments for the purpose of disclosure financial information by operating segments. A segment is a group of assets and operations that are subject to risks and returns different from other segments. The results of the segments are periodically reviewed by the management with the aim of taking decisions. The Group prepares regular financial information concerning these segments, which is reported to Management.

Taking into consideration that the individual financial statements are present with the Group's report, in accordance with the paragraph 4 of IFRS 8, CEMG is dismissed to present individual information regarding Segmental Reporting.

x) Provisions

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

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

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

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

y) Insurance and reinsurance brokerage services

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

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

- Commission that includes a fixed and a variable component. The fixed component is calculated by applying a predetermined rate over the amounts of subscriptions made through CEMG and a variable component calculated based on predetermined criteria, total annual fees being the sum of the fees calculated monthly; and
- Commission for participation in the results of insurance, which are calculated annually and paid by the insurer in the beginning of the year following that to which they refer (up to January 31).

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

CEMG does not collect insurance premiums on behalf of Insurers, or receive or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognized relating to the insurance brokerage services rendered by CEMG, other than those already disclosed.

z) Accounting estimates and judgments in applying accounting policies

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

Considering that in some cases there are several alternatives to the accounting treatment chosen by management, CEMG reported results would differ if a different treatment was chosen. Management believes that the choices made are appropriate and that the financial statements present CEMG's financial position and results fairly in all material aspects.

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

Impairment of available for-sale financial assets

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

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

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

Impairment losses on loans and advances to customers

CEMG reviews its loan portfolios to assess impairment losses on a regularly basis, as described in the accounting policy described in note 1 *b*).

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

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

Fair value of derivatives

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

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

Held-to-maturity investments

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

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

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

Impairment for investments in subsidiary and associated companies

CEMG assesses annually the recoverable amount of investments in subsidiaries and associates, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period.

The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks, that may require assumptions or judgment in making estimates of fair value.

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

Securitizations and special purpose entities (SPE)

CEMG sponsors the formation of SPE primarily for asset securitization transactions for liquidity purposes and/or capital management.

Therefore, the securitization operations Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican Mortgages No. 6, Aqua Mortgages No. 1 and Pelican SME were not derecognized in CEMG financial statements.

CEMG derecognized the following SPE which also resulted from operations of securitization: Pelican Mortgages No. 1 e 2. For these SPE, CEMG concluded that the main risks and the benefits were transferred, as CEMG does not hold detain any security issued by the SPE, that are exposed to the majority of the residual risks, neither is exposed to the performance of the credit portfolios.

Income taxes

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

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

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

Pension and other employees benefits

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

Changes in these assumptions could materially affect these values.

Intangible assets without useful life defined impairment

The assets without useful life defined recoverable amount recognised as a CEMG's asset, is revised annually regardless the existence of impairment losses.

For this purpose, the carrying amount of the business units of CEMG for which assets without useful life defined has been recognised is compared with the respective recoverable amount. Assets without useful life defined impairment loss are recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

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

INCOME STATEMENT FOR THE YEARS ENDED AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	NOTES	2013	2012
Interest and similar income	3	849 457	1 123 092
Interest and similar expense	3	643 346	865 634
NET INTEREST INCOME		**206 111**	**257 458**
Dividends from equity instruments	4	1 883	2 039
Fee and commission income	5	129 154	120 106
Fee and commission income	5	(18 986)	(19 492)
Net losses arising from assets and liabilities at fair value through profit or loss	6	(27 749)	(65 782)
Net gains/(losses) arising from available-for-sale financial assets	7	47 871	70 872
Net gains arising from foreign exchange differences	8	3 750	4 220
Net gains from sale of other assets	9	35 437	26 132
Other operating income	10	(6 563)	42 811
TOTAL OPERATING INCOME		**370 908**	**438 364**
Staff costs	11	183 674	185 916
General and administrative expenses	12	98 708	107 962
Depreciation	13	26 974	36 884
TOTAL OPERATING COSTS		**309 356**	**330 762**
Loans impairment	14	308 077	250 345
Other financial assets impairment	15	31 818	35 480
Other assets impairment	16	62 407	6 175
Other provisions	17	5 712	(9 814)
OPERATING PROFIT		**(346 462)**	**(174 584)**
Taxes			
Current	31	1 353	1 309
Deferred	31	(85 302)	(178 149)
PROFIT FOR THE YEAR		**(262 513)**	**2 256**

See accompanying notes to the Individual Financial Statements

BALANCE SHEET AS AT 31 DECEMBER, 2013 AND 2012

(thousand euros)

	NOTES	2013	2012
ASSETS			
Cash and deposits at central banks	18	242 372	247 587
Loans and advances to other financial institutions repayable on demand	19	84 578	57 370
Other loans and advances to credit institutions	20	291 644	250 758
Loans and advances to customers	21	15 139 969	15 031 977
Financial assets held for trading	22	62 531	132 857
Other financial assets held for trading at fair value through profit or loss	23	3 450	12 300
Financial assets available for sale	24	8 942 287	6 730 502
Hedging derivatives	25	503	931
Financial assets held to maturity	26	17 227	17 222
Investments in associated companies	27	418 547	390 547
Non current assets held for sale	28	663 231	472 877
Property and equipment	29	44 316	55 651
Intangible assets	30	112 240	108 872
Current income tax assets		10	10
Deferred income tax assets	31	313 702	243 313
Other assets	32	130 329	376 085
TOTAL ASSETS		**26 466 936**	**24 128 859**
LIABILITIES			
Deposits from central banks	33	3 427 354	1 776 514
Deposits from other financial institutions	34	1 100 965	1 125 074
Deposits from customers	35	13 620 187	12 675 903
Debt securitites issued	36	2 166 018	2 188 099
Financial liabilities relating to transferred assets	37	3 444 852	3 743 731
Financial liabilities held for trading	22	62 242	84 808
Hedging derivatives	25	1 849	3 177
Provisions	38	115 911	110 199
Current income tax liabilities		1 353	1 239
Other subordinated debt	39	386 378	479 667
Other liabilities	40	439 821	331 976
TOTAL LIABILITIES		**24 766 930**	**22 520 387**
EQUITY			
Share capital	41 and 42	1 700 000	1 295 000
Other capital instruments	43	8 273	15 000
Fair value reserves	45	33 279	3 621
Reserves and retained earnings	44 and 45	220 967	292 595
Profit for the year		(262 513)	2 256
TOTAL EQUITY		**1 700 006**	**1 608 472**
TOTAL		**26 466 936**	**24 128 859**

See accompanying notes to the Individual Financial Statements

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

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

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Net interest income	206 111	257 458
Net gains arising from assets and liabilities at fair value through profit and loss and available-for-sale financial assets	20 122	5 090
	226 233	262 548

3. Net interest income

The amount of this account is comprised of:

(thousand euros)

	2013			2012		
	Assets / liabilities at amortized cost and available-for-sale	Assets / liabilities at fair value through profit or loss	Total	Assets / liabilities at amortized cost and available-for-sale	Assets / liabilities at fair value through profit or loss	Total
Interest and similar income:						
Interest from loans and advances	457 824	–	457 824	558 172	–	558 172
Interest from other assets	689	–	689	2 715	–	2 715
Interest from deposits with banks	527	–	527	935	–	935
Interest from available-for-sale financial assets	225 722	–	225 722	275 975	–	275 975
Interest from held-to-maturity financial assets	695	–	695	1 020	–	1 020
Interest from hedging derivates	833	–	833	1 439	–	1 439
Interest from available for trading financial assets	–	115 886	115 886	–	235 425	235 425
Other interest and similar income	47 281	–	47 281	47 411	–	47 411
	733 571	115 886	849 457	887 667	235 425	1 123 092
Interest and similar expense:						
Interest from deposits	307 816	–	307 816	425 377	–	425 377
Interest from securities issued	111 584	–	111 584	71 162	–	71 162
Interest from loans	3 958	–	3 958	4 115	–	4 115
Interest from other funding	47 367	–	47 367	47 043	–	47 043
Interest from hedging derivates	1 284	–	1 284	1 801	–	1 801
Interest from available for trading financial assets	–	107 169	107 169	–	211 299	211 299
Other interest and similar expenses	64 168	–	64 168	104 837	–	104 837
	536 177	107 169	643 346	654 335	211 299	865 634
Net interest income	197 394	8 717	206 111	233 332	24 126	257 458

The balance Interest on loans and advances includes, at 2013, the amount of Euro 20 469 thousands (2012: Euro 23 119 thousands) related to commissions and other gains/losses which are accounted for under the effective interest method, as referred in the accounting policy, note 1 *l*).

The balance Interest and similar expense – Interest on deposits includes, the amount of Euro 5 730 thousands (2012: Euro 6 011 thousands), related to accounting to the interest on term deposits with increasing interest rates.

4. Dividends from equity instruments

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Dividends from financial assets available for sale	534	554
Dividends from subsidiaries and associated companies	1 349	1 485
	1 883	2 039

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

The balance Dividends from subsidiaries and associated companies includes the amount of Euro 945 thousands and Euro 404 thousands (2012: Euro 865 thousands and Euro 620 thousands) related to the dividends paid by Lusitania Vida, Companhia de Seguros, S.A. and Banco Montepio Geral, Cabo Verde, Unipessoal, S.A., respectively.

5. Net fee and commissions income

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Fee and commission income:		
From banking services	91 560	89 553
From transactions order by third parties	20 612	14 844
From insurance brokerage services	8 373	7 798
From commitments to third parties	7 872	7 429
Other fee and commission income	737	482
	129 154	120 106
Fee and commission expenses:		
From banking services rendered by third parties	16 989	17 539
From transactions with securities	575	497
Other fee and commission expense	1 422	1 456
	18 986	19 492
Net fee and commission income	110 168	100 614

At December 31 2013 and 2012, commissions received on insurance brokerage services or reinsurance is made up as follows:

(thousand euros)

	2013	2012
Life insurance:		
Mortgage	1 754	1 804
Consumer	808	758
Other	2 699	2 200
	5 261	4 762
Non-life insurance:		
Mortgage	2 070	2 036
Consumer	111	115
Other	931	885
	3 112	3 036
	8 373	7 798

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

The amount of this account is comprised of:

(thousand euros)

	2013			2012		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Bonds and other fixed income securities						
Issued by public entities	65	–	65	13	–	13
Issued by other entities	130	94	36	15	–	15
Shares	7 883	6 180	1 703	4 426	1 957	2 469
Investment Fund Units	887	932	(45)	284	322	(38)
	8 965	7 206	1 759	4 738	2 279	2 459
Derivative financial instruments						
Exchange rate contracts	100 903	100 793	110	79 214	78 771	443
Interest rate contracts	392 127	424 235	(32 108)	1 770 013	1 768 258	1 755
Credit default contracts (CDS)	656	311	345	5 439	2 352	3 087
Others	50 762	27 748	23 014	38 743	36 491	2 252
	544 448	553 087	(8 639)	1 893 409	1 885 872	7 537
	553 413	560 293	(6 880)	1 898 147	1 888 151	9 996
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities Issued by Other Entities	1 237	150	1 087	651	2 072	(1 421)
	1 237	150	1 087	651	2 072	(1 421)
Financial liabilities						
Other loans and advances to credit institutions	390	–	390	195	56	139
Deposits from customers	531	338	193	278	152	126
Other subordinated debt	8 828	8 195	633	156 845	157 740	(895)
Others	16 317	39 489	(23 172)	19 828	93 555	(73 727)
	26 066	48 022	(21 956)	177 146	251 503	(74 357)
	580 716	608 465	(27 749)	2 075 944	2 141 726	(65 782)

The balance Financial liabilities – Others, includes for financial liabilities instruments arising at fair value, losses in the amount of Euro 38 751 thousands (2012: Euro 79 584 thousands) from fair value changes related with changes own credit risk (spread) changes from operations.

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

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

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

The amount of this account is comprised of:

(thousand euros)

	2013			2012		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by public entities	44 390	952	43 438	21 326	482	20 844
Issued by other entities	8 674	3 277	5 397	48 091	1 050	47 041
Shares	1 177	621	556	58	21	37
Other variable income securities	5 965	7 485	(1 520)	2 973	23	2 950
	60 206	12 335	47 871	72 448	1 576	70 872

The balance Bonds and other fixed income securities – Issued by other entities includes the amount of Euro 7 054 thousands (2012: Euro 35 116 thousands) resulting from a set of repurchase transactions carried out under a number of initiatives undertaken by the Group, regarding the management of financial and capital structure, namely the repurchase operations of bonds (Pelican Mortgage no. 3 and Covered Bonds), as described in notes 36 and 51.

As at 31 December 2013, the balance Shares includes the amount of Euro 146 thousands related to the sale of shares of Futuro – Sociedade Gestora de Fundos de Pensões, S.A. to Montepio Seguros, S.G.P.S., S.A., as described in note 27.

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

The amount of this account is comprised of:

(thousand euros)

	2013			2012		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	29 832	26 082	3 750	37 043	32 823	4 220

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

9. Net gains from sale of other assets

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Disposal of subsidiaries and associates	25 439	–
Sale of loans and advances to customers	10 610	44 070
Sale of properties	(103)	(17 324)
Sale of other assets	(509)	(614)
	35 437	26 132

The balance Disposal of subsidiaries and associates corresponds to the disposal of Lusitania Companhia de Seguros, S.A. and Lusitania Vida, Companhia de Seguros, S.A., in accordance to note 27.

As at 31 December 2013, the balance Sale of loans and advances to customers includes the gain on the sale of loans to customers which were recorded off balance sheet. The total amount of loans sold amounted to Euro 157 013 thousands, as described in note 21.

As at 31 December 2012, the caption Sale of loans and advances to customers refers to the credit operations Aurea 1 e 2, as described in note 21.

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

10. Other operating income

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Operating income:		
Income from services	6 085	6 516
Expenses reimbursement	1 651	1 967
Profits arising from deposits on demand	13 279	16 802
Repurchase of own securities	2 356	25 163
Staff transfer	10 692	7 580
Other	1 975	4 997
	36 038	63 025
Operating costs:		
Indirect taxes	11 953	4 395
Donations and quotizations	503	472
Contributions to the Deposit Guarantee Fund	3 194	3 011
Contributions to Investors Claims System	2 255	–
Trading properties	8 267	3 245
Other	16 429	9 091
	42 601	20 214
Other net operating income	(6 563)	42 811

As at 31 December 2013, the balance Other operating income – Staff transfer includes the amount of Euro 10 692 thousands (2012: Euro 7 580 thousands) regarding the staff transfer carried out by CEMG to Montepio Geral Associação Mutualista and other subsidiaries.

As at 31 December 2013, the balance Repurchase of own securities is calculated in accordance with accounting policy described in note 1 c) and refer to the re-acquisition of Euro Medium Term Notes.

The caption Specific contribution for the banking Sector is estimated according to the terms of the Decree-Law 55-A/2010. The determination of the amount payable focuses on: (*i*) the annual average liability developed in balance deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and (*ii*) the notional amount of derivative financial instruments. As at 31 December 2013, CEMG recognizes as cost expense for the year the amount of Euro 5 109 thousands (2012: Euro 4 233 thousands), included in the balance Other operating expenses – Taxes.

As at 31 December 2013, the balance Other operating expenses – Indirect taxes includes the amount of Euro 5 294 thousands, related to the payment of Municipal Tax on Property Code («IMT»).

11. Staff costs

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Remunerations	132 546	138 785
Mandatory social security charges	36 572	38 355
Other charges with the pensions fund	4 401	3 943
Other staff costs	10 155	4 833
	183 674	185 916

As at 31 December 2013, the caption Other charges with the pensions fund includes the amount of Euro 690 thousands (2012: Euro 3 048 thousands) related to the impact of early retirements and it includes the positive impact, on the amount of Euro 1 078 thousands resulting from the publication in 27 June 2013, of Decree-Law 133/2012 which made changes on the calculation of the death benefit, with a cap of 6 times the social support index that in 2013 is Euros 419.22. The referred positive impact corresponds to a reduction of the liabilities on the same amount.

As at 31 December 2012, the caption Other charges with the pensions fund includes the amount of Euro 1 256 thousands related to the impact in the income statement of the responsibilities with retirees and pensioners transferred to the General Social Security Scheme («GSSS»), as referred in note 49. The referred impact corresponds to the effect of the recalculation of the liabilities based on the actuarial assumptions set by the Portuguese State, in the scope of the transfer.

This balance includes also the amount of Euro 690 thousands (2012: Euro 3 048 thousands) regarding the cost with early retirements and the positive effect of Euro 1 077 thousands Euros resulting from the publication of the Decree-Law no. 133/2012 on 27 June 2012, which changed the determination of the provision of death subsidy and led to a limit of a maximum of 6 times the social support index (minimum wage), which in 2013 amounted to Euro 419.22. The referred positive effect corresponds to the reduction of the associated liabilities.

The costs with salaries and other benefits attributed to CEMG key management personnel in 2013 are presented as follows:

(thousand euros)

	Board of Directors	Other key management personnel	Total
Salaries and other short-term benefits	612	4 580	5 192
Pension costs and health-care benefits (SAMS)	8	169	177
Variable remunerations	–	97	97
Total	620	4 846	5 466

The costs with salaries and other benefits attributed to CEMG key management personnel in 2012 are presented as follows:

(thousand euros)

	Board of Directors	Other key management personnel	Total
Salaries and other short-term benefits	2 110	4 701	6 811
Pension costs and health-care benefits (SAMS)	4	168	172
Variable remunerations	–	202	202
Total	2 114	5 071	7 185

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

As at 31 December 2013 and 2012, loans granted by CEMG to its key management personnel, amounted to Euro 4 839 thousands and Euro 4 904 thousands, respectively.

The average number of employees by professional category at service in CEMG during 2013 and 2012 is analysed as follows:

	2013	2012
Management	216	216
Managerial staff	735	741
Technical staff	1 091	1 087
Specific categories	146	156
Administrative Staff	1 658	1 687
Staff	61	64
	3 907	3 951

12. General and administrative expenses

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Rents	28 243	29 878
Specialised services		
IT services	9 066	11 161
Independent work	4 413	4 649
Other specialised services	16 166	21 268
Advertising	4 279	5 237
Communications	9 207	9 823
Water, electricity and fuel	5 676	6 589
Maintenance and related services	4 598	5 428
Transportation	3 127	3 644
Insurance	2 433	2 133
Travel, hotel and representation costs	1 460	1 655
Consumables	1 877	1 673
Tranining costs	242	202
Other supplies and services	7 921	4 622
	98 708	107 962

The balance Rents, includes the amount of Euro 24 985 thousands (2012: Euro 24 854 thousands) related to rents paid regarding buildings used by CEMG as leaser.

13. Depreciation and amortisation

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Intangible assets:		
Software	13 057	18 201
Other tangible assets:		
Land and buildings	3 225	6 116
Equipment:		
Furniture	969	1 070
Office equipment	96	123
Computer equipment	6 537	7 805
Interior installations	1 670	1 756
Motor vehicles	83	117
Security equipment	818	908
Operacional lease – Renting	380	623
Other tangible assets	139	165
	13 917	18 683
	26 974	36 884

During 2012, CEMG recorded as a cost of the period the full book value of software assets, which amounted Euro 6 695 thousands.

14. Loans impairment

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Other loans and advances to credit institutions:		
Charge for the year	1 625	69
Write-back for the year	(840)	(389)
	785	(320)
Overdue loans and advances to customers:		
Charge for the year net of reversals	312 784	253 396
Recovery of loans and interest charged-off	(5 492)	(2 731)
	307 292	250 665
	308 077	250 345

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

15. Other financial assets impairment

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Impairment for Non-current assets held for sale		
Charge for the year	66 676	51 148
Write-back for the year	(34 858)	(15 668)
	31 818	35 480

As at 31 December 2013, the caption impairment for financial assets held for sale – charge of the year includes the amount of Euro 6 153 thousands (2012: Euro 4 874 thousands) that corresponds to the impairment recognized for investments of units in a Fund specialized in the recovery of loans, acquired under the sale of loans and advances to customers, as referred in notes 21, 24 and 54.

As at 31 December 2013, this caption includes the amount of Euro 8 415 thousands (2012: Euro 11 257 thousands) that corresponds to the impairment recognized for sovereign debt of Greece, as referred in notes 24 and 54.

16. Other assets impairment

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Impairment for investments arising from recovered loans		
Charge for the year	70 365	29 597
Write-back for the year	(7 958)	(23 994)
	62 407	5 603
Impairment for other assets		
Charge for the year	–	572
	62 407	6 175

17. Other provisions

The amount of this account is comprised of:

(thousand euros)

	2013	2012
Provision for credit risks		
Charge for the year	79 411	63 455
Write-back for the year	(75 081)	(73 858)
	4 330	(10 403)
Other provisions for liabilities and charges		
Charge for the year	1 382	1 570
Write-back for the year	–	(981)
	1 382	589
	5 712	(9 814)

18. Cash and deposits at central banks

This balance is analysed as follows:

(thousand euros)

	2013	2012
Cash	154 913	139 006
Bank of Portugal	87 459	108 581
	242 372	247 587

The caption Bank of Portugal includes deposits made in order to satisfy the legal requirements of minimum reserves, calculated based on the amount of deposits and the other liabilities. The polity for the establishment of cash and reserves, according to the guidelines of European System of Central Banks in the Eurozone (Regulation (EC) no. 1745/2003 of European Central Bank, of 12 September 2003) to the maintenance of a deposit with a Central Bank, equivalent to 2% on the average amount of deposits and other liabilities over each reserve maintenance period. This rate is different for countries outside with Eurozone.

At as December 2013, these deposits have earned interest of Bank of Portugal at an average rate of 0.25% (2012: 0.75%).

19. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(thousand euros)

	2013	2012
Credit institutions in Portugal	639	572
Credit institutions abroad	49 370	12 632
Amounts due for collection	34 569	44 166
	84 578	57 370

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

20. Other loans and advances to credit institutions

This balance is analysed as follows:

(thousand euros)

	2013	2012
Loans and advances to credit institutions in Portugal:		
Deposits	1 135	1 135
Loans	44 500	82 722
Short term deposits	14 865	–
Other loans and advances	4 002	6 003
	64 502	89 860
Loans and advances to credit institutions abroad:		
Deposits	9 991	9 993
Short term deposits	103 701	33 000
Other loans and advances	114 260	117 930
	227 952	160 923
	292 454	250 783
Impairment for credit risks over credit institutions	(810)	(25)
	291 644	250 758

The main loans and advances to credit institutions in Portugal, as at 31 December 2013, bear interest at an average annual interest rate of 0.35% (2012: 1.25%).

Loans and advances to banks 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:

(thousand euros)

	2013	2012
Due within 3 months	278 599	237 624
1 year to 5 years	2 000	2 000
More than 5 years	11 747	11 045
Undetermined	108	114
	292 454	250 783

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

(thousand euros)

	2013	2012
Balance on 1 January	25	345
Charge for the year	1 625	69
Write-back for the year	(840)	(389)
Balance on 31 December	810	25

21. Loans and advances to customers

This balance is analysed as follows:

(thousand euros)

	2013	2012
Domestic loans:		
Corporate:		
Loans	2 420 499	1 936 956
Commercial lines of credits	1 289 179	1 688 452
Loans represented by securities	752 306	–
Finance leases	233 648	230 204
Discounted bills	112 778	173 517
Factoring	76 554	105 231
Overdrafts	58 616	66 508
Other loans	1 240 843	1 430 053
Retail:		
Mortgage Loans	8 070 984	8 381 787
Finance Leases	28 644	50 527
Consumer and other loans	952 516	987 634
	15 236 567	15 050 869
Foreign loans:		
Corporate:		
Overdrafts	415	982
	15 236 982	15 051 851
Correction value of assets subject to the hedge	1 788	2 475
Overdue loans and interest:		
Less than 90 days	114 830	92 520
More than 90 days	829 872	787 834
	944 702	880 354
	16 183 472	15 934 680
Impairment for credit risks	(1 043 503)	(902 703)
	15 139 969	15 031 977

As at 31 December 2013, the balance Loans and advances to customers includes de amount of Euro 2 718 554 thousands (2012: Euro 2 816 016 thousands) related to the issue of covered bonds held by CEMG, as referred in note 36.

As at 31 December 2013, CEMG reclassified commercial paper portfolio from financial assets available for sale to loans and advances to customers, in the amount of Euro 752 306 thousands and impairment in the amount of Euro 19 904 thousands, as described in note 24 and proceeded the establishment of reserves for general banking risks in the amount of Euro 7 558 thousands, as described in note 38.

As referred in note 55, CEMG performed a set of sales of loans and advances to customers for a Fund specialized in the recovery of loans. The total amount of loans sold amounted to Euro 61 204 thousands (2012: Euro 15 318 thousands), as referred in notes 15, 24 and 54.

During 2013, CEMG performed a sale of loans and advances to customers, which were recorded off balance sheet. The total amount of loans sold amounted to Euro 157 013 thousands, which led to an outcome of Euro 10 610 thousands, as referred in note 9.

During 2012, CEMG sold two loans and advances to customers portfolios to a securitisation company named «Hefesto Sociedade de Titularização de Créditos, S.A.». These operations were denominated as Aurea 1 and Aurea 2. These loans presented a balance value of Euro 70 540 thousands, generating a net profit of Euro 44 070 thousands, according to the note 9.

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

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

– July 2012: Refund of Euro 655 000 thousands;

– June 2012: Cancellation of Euro 53 300 thousands, with a score of Euro 1 857 thousands, according to note 10;

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

– October 2011: Cancellation of Euro 291 700 thousands, with a score of Euro 17 750 thousands, according to note 10.

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

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

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

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

According with the accounting policy described in note 1 *b*), 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 31 December 2013, the balance Loans and advances to customers includes the amount of Euro 3 481 605 thousands (2012: Euro 3 764 371 thousands) related with loans object of securitization and, in accordance with note 1 *f*), were not subject of derecogniton. Additionally, is recorded as a liability, the securities linked to these transactions as described in note 37.

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

The fair value of the portfolio of loans to customers is presented in note 48.

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

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

(thousand euros)

	Loans and advances to customers				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	476 884	1 416 620	9 842 183	492 371	12 228 058
Other guarantee loans	772 661	256 870	346 386	251 987	1 627 904
Unsecured loans	1 426 770	126 378	264 675	176 701	1 994 524
Public sector loans	395	13 415	32 826	90	46 726
Foreign loans	415	–	–	–	415
Financial leases	108	76 658	185 526	23 553	285 845
	2 677 233	1 889 941	10 671 596	944 702	16 183 472

The analysis of loans and advances to customers, by maturity date and type of credit as at 31 December 2012, is as follows:

(thousand euros)

	Loans and advances to customers				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	595 431	1 595 835	9 732 769	402 931	12 326 966
Other guarantee loans	943 720	298 607	366 354	207 605	1 816 286
Unsecured loans	743 849	144 511	297 995	255 625	1 441 980
Public sector loans	87	7 788	46 648	311	54 834
Foreign loans	1	–	–	–	1
Financial leases	2 156	81 004	197 571	13 882	294 613
	2 285 244	2 127 745	10 641 337	880 354	15 934 680

The balance Financial leases, by the period to maturity as at 31 December 2013, is analysed as follows:

(thousand euros)

	Finance leases			
	Due within 1 year	1 year to 5 years	Over 5 years	Total
Outstanding rents	52 573	123 409	110 988	286 970
Outstanding interest	(11 365)	(26 878)	(20 689)	(58 932)
Residual values	5 555	8 168	20 531	34 254
	46 763	104 699	110 830	262 292

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

(thousand euros)

	Finance leases			
	Due within 1 year	1 year to 5 years	Over 5 years	Total
Outstanding rents	57 361	126 032	125 033	308 426
Outstanding interest	(11 514)	(27 523)	(23 688)	(62 725)
Residual values	6 076	10 187	18 767	35 030
	51 923	108 696	120 112	280 731

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

(thousand euros)

	2013	2012
Asset-backed loans	492 371	402 931
Other guaranteed loans	251 987	207 605
Unsecured loans	176 701	255 625
Public sector loans	90	311
Financial lease	23 553	13 882
	944 702	880 354

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

(thousand euros)

	2013	2012
Corporate:		
Construction/Production	224 435	178 342
Investment	181 205	212 070
Other short term loans	306 764	229 909
Other loans	7 198	9 108
Retail:		
Mortgage loans	110 278	124 304
Consumer credit	31 381	29 636
Other loans	49 987	59 828
Public Sector	90	311
Other segments	33 364	36 846
	944 702	880 354

The impairment for credit risks is analysed as follows:

(thousand euros)

	2013	2012
Balance on 1 January	902 703	694 225
Charge for the year net of revarsels	312 784	253 396
Loans charged-off	(315 505)	(204 753)
Transfers	143 521	159 835
Balance on 31 December	1 043 503	902 703

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

As at 31 December 2013, CEMG has a provision for general banking risks in the amount of Euro 110 993 thousands (2012: Euro 106 663 thousands), which in accordance to NCA's is presented as a liability, as refereed in note 38.

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

The table below shows the analysis of the overdue loans and advances and the impairment for credit risk as at 31 December 2013:

(thousand euros)

	Default Classes					
	Due within 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Overdue loans with collaterals	71 497	22 345	79 705	362 837	230 834	767 218
Impairment for overdue loans with collaterals	612	2 089	18 781	283 363	218 122	522 967
Overdue loans without collaterals	31 737	7 802	18 427	61 692	57 826	177 484
Impairment for overdue loans without collaterals	336	2 111	12 428	69 083	63 244	147 202
Total overdue loans	103 234	30 147	98 132	424 529	288 660	944 702
Total impairment for overdue loans	948	4 200	31 209	352 446	281 366	670 169
Total impairment for due loans, overdue loans and others	358	1 327	16 955	164 300	190 394	373 334
Total impairment for credit risk	1 306	5 527	48 164	516 746	471 760	1 043 503

The table below shows the analysis of the overdue loans and advances and the impairment for credit risk as at 31 December 2012:

(thousand euros)

	Default Classes					
	Due within 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Overdue loans with collaterals	53 045	22 468	79 966	275 737	184 532	695 714
Impairment for overdue loans with collaterals	445	2 433	20 101	200 957	184 441	408 377
Overdue loans without collaterals	27 709	8 154	19 250	81 524	127 969	264 606
Impairment for overdue loans without collaterals	288	2 039	12 768	81 524	127 969	224 588
Total overdue loans	80 754	30 622	99 216	357 261	312 501	960 320
Total impairment for overdue loans	733	4 472	32 869	282 481	312 410	632 965
Total impairment for due loans, overdue loans and others	240	1 873	13 390	114 632	139 603	269 738
Total impairment for credit risk	973	6 345	46 259	397 113	452 013	902 703

The impairment for credit risks, by type of credit, is as follows:

(thousand euros)

	2013	2012
Asset-backed loans	580 416	447 840
Other guareteed loans	263 978	201 523
Unsecured loans	199 109	253 340
	1 043 503	902 703

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

The impairment for credit risks, by type of credit, is as follows:

(thousand euros)

	2013	2012
Asset-backed loans	32 460	160 991
Other guareteed loans	125 739	29 465
Unsecured loans	157 306	14 297
	315 505	204 753

The recovered loans and overdue interest, performed during the period of 1 January to 31 December 2013 and during 2012, related with asset-backed loans recovered, amounts to Euro 5 492 thousands e Euro 2 731 thousands, as referred in note 14.

CEMG uses physical and financial collaterals as instruments for mitigating credit risk. The physical collaterals correspond mainly to mortgages on residential properties in the course of the mortgage and other types of mortgages on properties in other types of loans. To reflect the market value of them, these effects are reviewed regularly based on evaluations conducted by certified independent testing organizations or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the area their geographical. The financial collateral is re-evaluated based on market values of their assets, when available, and certain coefficients applied depreciation to reflect its volatility.

22. Financial assets and liabilities held for trading

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

(thousand euros)

	2013	2012
Financial assets held for trading:		
Securities		
Shares	7 809	12 337
Bonds	584	1 949
	8 393	14 286
Derivates		
Derivates financial instruments with positive fair value	54 138	118 571
	62 531	132 857
Financial liabilities held for trading:		
Securities		
Short sells	1 389	984
Derivates		
Derivates financial instruments with negative fair value	60 853	83 824
	62 242	84 808

The balance Derivatives financial instruments with positive fair value includes the amount of Euro 33 278 thousands (2012: Euro 80 659 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 196 thousands (2012: Euro 193 thousands).

The balance Derivatives financial instruments with negative fair value includes the amount of Euro 23 299 thousands (2012: Euro 30 652 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 2 161 thousands (2012: Euro 2 905 thousands).

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

As referred in IFRS 13, financial assets and liabilities held for trading and available for sale are valued in accordance with the following fair value measurement levels:

– Level 1: 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;

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

– Level 3: financial instruments fair value consists on the use of internal valuation techniques, mainly discounted cash flow models, or quotations provided by third parties but which imply the use of non-observable market information.

Therefore, accordingly with the hierarchy of the valuation sources, as referred in IFRS 13 these instruments are classified in the levels 1 and 2, as follows:

(thousand euros)

	2013	2012
Financial assets held for trading:		
Level 1	8 393	14 286
Level 2	54 138	118 571
	62 531	132 857
Financial liabilities held for trading:		
Level 1	1 389	984
Level 2	60 853	83 824
	62 242	84 808

The analysis of the securities portfolio held for trading by maturity as at 31 December 2013 is as follows:

(thousand euros)

	2013				
	Due within 3 months	3 months to 1 months	Over 1 year	Undetermined	Total
Variable income securities:					
Shares in companies					
Portuguese	–	–	–	2 022	2 022
Foreign	–	–	–	5 787	5 787
Bonds					
Foreign			584	–	584
	–	–	584	7 809	8 393
Quoted	–	–	584	7 809	8 393

The analysis of the securities portfolio held for trading by maturity as at 31 December 2012 is as follows:

(thousand euros)

	2012				
	Due within 3 months	3 months to 1 months	Over 1 year	Undetermined	Total
Variable income securities:					
Shares in companies					
Portuguese	–	–	–	5 103	5 103
Foreign	–	–	–	7 234	7 234
Bonds					
Foreign			1 949	–	1 949
	–	–	1 949	12 337	14 286
Quoted	–	–	1 949	12 337	14 286

The book value of the assets and liabilities at fair value through profit or loss as at 31 December 2013, is as follows:

(thousand euros)

2013								
		Derivative			Related Asset/Liability			
Drivate	Related financial asset/ liability	Notional	Fair value	Changes in fair value in the year	Fair value	Changes in fair value in the year	Book value	Reimbursement amount at maturity date
Interest rate swap	Bonds issued	594 006	5 663	(6 392)	8 742	(24 663)	366 100	318 003
Interest rate swap	Deposits	89 000	(1 161)	(27 216)	(5 363)	10 168	484	362 313
Interest rate swap	Resources	185 118	9 950	(7 376)	428	(8 684)	61 023	100 967
Interest rate swap	Bonds	10 901 844	(4 473)	1 046	–	–	–	–
Interest rate swap	Loans	50 000	(1 965)	747	1 788	(687)	24 646	25 000
Interest rate swap	Others	9 010 745	(14 890)	(1 596)	–	–	–	–
Currency swap	–	374 578	(385)	(600)	–	6	–	–
Future options	–	39 790	(3)	(13)	–	–	–	–
Options	–	395 909	468	(317)	–	–	–	–
Credit Default Swaps	–	25 000	81	255	–	–	–	–
		21 665 990	(6 715)	(41 462)	5 595	(23 860)	452 253	806 283

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

(thousand euros)

2012								
		Derivative			Related Asset/Liability			
Drivate	Related financial asset/ liability	Notional	Fair value	Changes in fair value in the year	Fair value	Changes in fair value in the year	Book value	Reimbursement amount at maturity date
Interest rate swap	Bonds issued	875 236	12 055	324	33 405	(67 202)	405 389	398 591
Interest rate swap	Deposits	1 360 400	26 055	3 805	(15 531)	375	443 782	437 599
Interest rate swap	Resources	330 424	17 326	3 655	9 112	(13 437)	62 020	60 000
Interest rate swap	Bonds	11 275 036	(5 519)	(11 394)	–	6 509	–	–
Interest rate swap	Loans	50 000	(2 712)	(1 153)	2 475	960	25 350	25 000
Interest rate swap	Others	10 229 977	(13 294)	(2 256)	–	–	–	–
Currency swap	–	280 482	215	(264)	(6)	28	1 554	1 516
Future options	–	38 766	10	32	–	–	–	–
Options	–	332 394	785	787	–	–	–	–
Credit Default Swaps	–	32 500	(174)	2 897	–	–	–	–
		24 805 215	34 747	(3 567)	29 455	(72 767)	938 095	922 706

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

(thousand euros)

	2013					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Interest rate contracts:						
Interest rate swaps	99 900	1 647 059	19 083 754	20 830 713	47 196	54 072
Options	21 988	62 020	311 901	395 909	6 496	6 028
Exchange rate contracts:						
Currency swaps	374 578	–	–	374 578	311	696
Index contracts:						
Index futures	33 013	6 777	–	39 790	–	3
Credit default contracts:						
Credit default swaps	3 000	12 000	10 000	25 000	135	54
	532 479	1 727 856	19 405 655	21 665 990	54 138	60 853

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

(thousand euros)

	2012					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Interest rate contracts:						
Interest rate swaps	234 000	371 383	23 515 690	24 121 073	111 018	77 107
Options	433	19 200	312 761	332 394	6 857	6 072
Exchange rate contracts:						
Currency swaps	279 706	776	–	280 482	627	412
Index contracts:						
Index futures	38 766	–	–	38 766	10	–
Credit default contracts:						
Credit default swaps	–	7 500	25 000	32 500	59	233
	552 905	398 859	23 853 451	24 805 215	118 571	83 824

23. Other financial assets held for trading at fair value through profit or loss

This balance is analysed as follows:

(thousand euros)

	2013	2012
Bond issued by other entities		
Foreign	3 450	12 300

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

Other financial assets 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 13, these instruments are classified in level 1.

The analysis of the securities at fair value through profit or loss, by maturity is as follows:

(thousand euros)

	2013	2012
Due within 3 months	2 451	–
Over 1 year	999	4 257
Undetermined	–	8 043
	3 450	12 300
Quoted	3 450	12 300

24. Financial assets available for sale

This balance is analysed as follows:

(thousand euros)

	2013				
		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment Losses	Book Value
Fixed income securities:					
Issued by public entities					
Portuguese	3 019 719	49 601	(16 198)	–	3 053 122
Foreign	31 209	1 544	(1 250)	(8 415)	23 088
Issued by other entities					
Portuguese	4 085 495	3 527	(24 135)	(37 252)	4 027 635
Foreign	376 745	18 787	(4 987)	(8 099)	382 446
Commercial paper	52 109	–	–	(998)	51 111
Variable income securities:					
Stocks					
Portuguese	16 810	212	(43)	(3 556)	13 423
Foreign	13 380	2 012	(65)	(3 251)	12 076
Investment fund units	1 389 193	11 864	(5 563)	(16 108)	1 379 386
	8 984 660	87 547	(52 241)	(77 679)	8 942 287

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

(thousand euros)

	2012				
		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment Losses	Book Value
Fixed income securities:					
Issued by public entities					
Portuguese	1 106 821	14 085	(5 049)	–	1 115 857
Foreign	95 444	1 322	(1 209)	(11 257)	84 300
Issued by other entities					
Portuguese	4 237 542	655	(17 606)	(27 280)	4 193 311
Foreign	341 790	18 243	(16 865)	(7 289)	335 879
Commercial paper	392 499	–	–	(1 224)	391 275
Variable income securities:					
Stocks					
Portuguese	9 664	108	(42)	(3 556)	6 174
Foreign	8 584	1 087	(81)	(2 597)	6 993
Investment fund units	603 180	6 246	(7 630)	(5 083)	596 713
	6 795 524	41 746	(48 482)	(58 286)	6 730 502

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

As referred in note 1 *c*), the portfolio of assets available-for-sale are presented at market value with fair value changes accounted for against fair value reserves, as referred in note 45. CEMG assesses periodically whether there is objective evidence of impairment losses on the available-for-sale financial assets, following the judgment criteria's described in note 1 *z*).

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

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

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

- The reclassification of commercial paper from financial assets available for sale to the loans and advances to customers is realized at the fair value of the debt instrument at the date of reclassification;
- No unrealized gain or loss recognized was recognized in the fair value reserve at the date of reclassification;
- The fair value of commercial paper in the reclassification date will become the new cost;
- As at the date of reclassification is determined a new effective interest rate as the basis of calculation and recognition of interest and amortized cost from that moment;
- The new effective interest rate is the rate that exactly discounts estimated future cash flows over the remaining expected life of the instruments fair value at the date of reclassification;
- A subsequent change in the fair value of the debt instrument over its new amortized cost is not recognized;
- It's performed a review of subsequent impairment taking into consideration the new amortized cost, the new effective interest rate and the expected future cash flows; and
- Any impairment loss, measured as the difference between the new amortized cost and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the new effective interest rate determined at the date of reclassification, is recognized in profit or loss.

The reclassification of commercial paper, from portfolio of financial assets available for sale to loans and advances to customers implied the establishment of provisions for general credit risks, according to article no. 7, no. 3, Regulation no. 3/95, Bank of Portugal, corresponding to 1% of the value which represents its calculation base.

In this context, as at 31 December 2013, CEMG reclassified commercial paper portfolio from financial assets available for sale to loans and advances to customers, in the amount of Euro 752 306 thousands and impairment in the amount of Euro 19 904 thousands, as described in note 24 and proceeded the establishment of reserves for general banking risks amounting Euro 7 558 thousands, as described in note 21.

As referred in note 55, the balance Variable income securities – Investment fund units includes the amount of Euro 26 793 thousands (2012: Euro 19 018 thousands) relating to units in a Fund specialized in the recovery of loans acquired under the sale of loans and advances to customers. This amount includes Euro 6 153 thousands (2012: Euro 4 874 thousands) engaged to junior securities (investment fund units with a more subordinated character), which are fully provisioned, according to notes 15, 21 and 54.

Therefore, accordingly with the hierarchy of the valuation sources, as referred in IFRS 13 these instruments are classified, as follows:

(thousand euros)

	2013	2012
Level 1	3 957 678	2 079 039
Level 2	549 071	177 565
Level 3	4 425 438	4 060 699
At acquisition cost	10 100	413 199
	8 942 287	6 730 502

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

(thousand euros)

	2013	2012
Balance on 1 January	58 286	49 647
Charge for the year	66 676	51 148
Write-back for the year	(34 858)	(15 668)
Transfers	(12 014)	–
Charged-off	(411)	(26 841)
Balance on 31 December	77 679	58 286

As described in note 1 *c*), the portfolio of financial assets available for sale are presented net of the total fair value reserve and impairment. The total fair value reserve for financial assets available for sale is positive and amounts to Euro 35 306 thousands (2012: negative Euro 6 736 thousands) and impairment amounts to Euro 77 679 thousands (2012: Euro 58 286 thousands).

At 31 December 2013, impairment losses recognized in the sovereign debt of Greece amounts to Euro 8 415 thousands (2012: Euro11 257 thousands), as referred in notes 15 and 53.

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

(thousand euros)

	2013				
	Due within 3 months	**3 months to 1 year**	**Over 1 year**	**Undetermined**	**Total**
Fixed income securities:					
Issued by public entities					
Portuguese	–	26 364	3 026 758	–	3 053 122
Foreign	–	–	23 088	–	23 088
Issued by other entities					
Portuguese	5 204	92 704	3 927 732	1 995	4 027 635
Foreign	6 000	15 945	357 619	2 882	382 446
Commercial paper	46 384	4 727	–	–	51 111
	57 588	139 740	7 335 197	4 877	7 537 402
Variable income securities:					
Shares in companies					
Portuguese	–	–	–	13 423	13 423
Foreign	–	–	–	12 076	12 076
Investment fund units	–	–	463	1 378 923	1 379 386
	–	–	463	1 404 422	1 404 885
	57 588	139 740	7 335 660	1 409 299	8 942 287

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

(thousand euros)

	2012				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities:					
Issued by public entities					
Portuguese	51 886	248 353	815 618	–	1 115 857
Foreign	2 521	63 627	18 152	–	84 300
Issued by other entities					
Portuguese	64 976	80 502	4 047 833	–	4 193 311
Foreign	24 674	14 420	293 666	3 119	335 879
Commercial paper	122 393	111 144	157 738	–	391 275
	266 450	518 046	5 333 007	3 119	6 120 622
Variable income securities:					
Shares in companies					
Portuguese	–	–	–	6 174	6 174
Foreign	–	–	–	6 993	6 993
Investment fund units	–	–	7 375	589 338	596 713
	–	–	7 375	602 505	609 880
	266 450	518 046	5 340 382	605 624	6 730 502

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

(thousand euros)

	2013			2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed income securities:						
Issued by public entities						
Portuguese	3 053 122	–	3 053 122	1 115 857	–	1 115 857
Foreign	23 088	–	23 088	84 300	–	84 300
Issued by other entities						
Portuguese	583 215	3 444 420	4 027 635	578 946	3 614 365	4 193 311
Foreign	310 662	71 784	382 446	259 769	76 110	335 879
Commercial paper	–	51 111	51 111	1 766	389 509	391 275
	3 970 087	3 567 315	7 537 402	2 040 638	4 079 984	6 120 622
Variable income securities:						
Shares in companies						
Portuguese	8 839	4 584	13 423	1 171	5 003	6 174
Foreign	11 909	167	12 076	6 827	166	6 993
Investment fund units	1 377 386	2 000	1 379 386	582 569	14 144	596 713
	1 398 134	6 751	1 404 885	590 567	19 313	609 880
	5 368 221	3 574 066	8 942 287	2 631 205	4 099 297	6 730 502

25. Hedging derivatives

This balance is analysed as follows:

(thousand euros)

	2013	2012
Asset		
Interest rate swap	503	931
Liability		
Interest rate swap	1 849	3 177

Hedging derivatives are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 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:

(thousand euros)

	2013	2012
Deposits from other credit institutions	(209)	(600)
Financial assets held for training	1 478	1 987
	1 269	1 387

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

(thousand euros)

	2013							
	Notional with remaining term				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	–	39 000	53 000	92 000	–	200	(1 546)	(1 346)
	–	39 000	53 000	92 000	–	200	(1 546)	(1 346)

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

(thousand euros)

	2012							
	Notional with remaining term				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	–	23 000	92 000	115 000	–	(366)	(1 880)	(2 246)
	–	23 000	92 000	115 000	–	(366)	(1 880)	(2 246)

As at 31 December 2013, the fair value hedge relationships present the following features:

(thousand euros)

2013							
Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative (1)	Changes in the fair value of the derivative in the year	Hedge item fair value (2)	Changes in the fair value of the hedged item in the year (2)
Interest rate swaps	Resources from credit institutions	Interest rate	20 000	414	(389)	(209)	391
Interest rate swaps	Financial assets held for trading	Interest rate	72 000	(1 760)	1 289	1 478	(509)
			92 000	(1 346)	900	1 269	(118)

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

As at 31 December 2012, the fair value hedge relationships present the following features:

(thousand euros)

2012							
Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative (1)	Changes in the fair value of the derivative in the year	Hedge item fair value (2)	Changes in the fair value of the hedged item in the year (2)
Interest rate swaps	Resources from credit institutions	Interest rate	20 000	803	108	(600)	139
Interest rate swaps	Financial assets held for trading	Interest rate	95 000	(3 049)	878	1 987	434
			115 000	(2 246)	986	1 387	573

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

26. Held-to-maturity investments

This balance is analysed as follows:

(thousand euros)

	2013	2012
Fixed income securities:		
Bonds issued by Portuguese public entities	6 149	6 185
Bonds issued by foreign public entities	11 078	11 037
	17 227	17 222

The fair value of held-to-maturity investments portfolio is presented in note 48.

CEMG assessed, with reference to 31 December 2013, the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 31 December 2013 are analysed as follows:

(thousand euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OT – Outubro 05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.350%	6 149
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.250%	5 040
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.500%	2 025
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.750%	2 002
Buoni Poliennali Del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.750%	2 011
				17 227

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

During 2013 and 2012, CEMG did not transfer to or from this assets category.

As at 31 December 2013 the analysis of held-to-maturity investments by the period of maturity is as follows:

(thousand euros)

	2013				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by Portuguese public issuers	–	–	6 149	–	6 149
Bonds issued by foreign public issuers	–	–	11 078	–	11 078
	–	–	17 227	–	17 227
Quoted	–	–	17 227	–	17 227

As at 31 December 2012 the analysis of held-to-maturity investments by the period of maturity is as follows:

(thousand euros)

	2012				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by Portuguese public issuers	–	96	6 089	–	6 185
Bonds issued by foreign public issuers	–	–	11 037	–	11 037
	–	96	17 126	–	17 222
Quoted	–	96	17 126	–	17 222

27. Investments in associated companies and others

This balance is analysed as follows:

(thousand euros)

	2013	2012
Investments in associated companies and others		
Montepio Holding, S.G.P.S., S.A.	341 250	341 250
Montepio Seguros, S.G.P.S., S.A.	65 100	–
Lusitania, Companhia de Seguros, S.A.	–	29 566
Lusitania Vida, Companhia de Seguros, S.A.	–	9 530
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	8 997	7 001
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Unquoted	418 547	390 547

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

(thousand euros)

	Number of shares	Percentage of direct shares	Unit value Euros	Acquisition cost
31 December 2013				
Montepio Holding, S.G.P.S., S.A.	175 000 000	100,00%	1,00	341 250
Montepio Seguros, S.G.P.S., S.A.	46 350 001	33,65%	1,00	65 100
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	99 200	100,00%	90,69	8 997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20,00%	5,00	3 200
.				418 547
31 December 2012				
Finibanco Holding, SPGS, S.A.	175 000 000	100,00%	1,00	341 250
Lusitania, Companhia de Seguros, S.A	1 333 929	26,25%	5,00	29 566
Lusitania Vida, Companhia de Seguros, S.A.	314 736	39,34%	25,00	9 530
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	77 200	100,00%	90,69	7 001
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20,00%	5,00	3 200
.				390 547

At the end of 2013, under the restructuring of Group Montepio Geral was undertaken a reorganization of the financial investments associated with the insurance and pension sectors. In this context, on 27 December 2013 was created Montepio Seguros, S.G.P.S., S.A. in order to manage the equity of the mentioned sectors.

CEMG sold the shares directly held in Lusitania Vida – Companhia de Seguros, S.A. and Lusitania – Companhia de Seguros, S.A. to Montepio Seguros, S.G.P.S., S.A., having both been reimbursed for supplementary capital contributions in the amount of Euro 18 750 thousands. Additionally, acquired 33.65% of the capital of Montepio Seguros, S.G.P.S., S.A. for Euro 46 350 thousands, and carried supplementary capital contributions in the amount of Euro 18 750 thousands.

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

These shares presented a balance amount of Euro 20 765 thousands, giving rise to a gain of Euro 25 585 thousands, as described in notes 7 and 9. This operation can be analysed as follows:

(thousand euros)

	Balance amount	Sell amount	Gain
Lusitania Vida – Companhia de Seguros, S.A.	9 530	32 162	22 632
Lusitania – Companhia de Seguros, S.A.	10 816	13 623	2 807
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	419	565	146
	20 765	46 350	25 585

As at 21 June 2013, following the resolution of the General Assembly, it was proceeded to the capital increase of the Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.), in the amount of Euro 1 996 thousands, in cash.

After this operations, the capital of Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.), which is fully paid, increased to Euro 8 997 thousands (2012: Euro 7 001 thousands), fully owned by CEMG.

28. Non-current assets held for sale

This balance is analysed as follows:

(thousand euros)

	2013	2012
Investments arising from recovered loans	751 647	498 886
Impairment for non-current assets held for sale	(88 416)	(26 009)
	663 231	472 877

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

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

According to CEMG's expectation, these assets are available for sale in a period less than 1 year and CEMG has a strategy for its sale. This balance includes buildings and other assets for which CEMG has already established contracts for the sale in the amount of Euro 192 777 thousands (2012: Euro 13 875 thousands).

During 2013, CEMG sold real estate positions to investment funds Montepio Arrendamento II – Fundo de Investimento Imobiliário para Arrendamento Habitacional and Montepio Arrendamento III – Fundo de Investimento Imobiliário para Arrendamento Habitacional in the amount of Euro 296 650 thousands. From the total of real estate positions sold, CEMG received Euro 196 980 thousands as an advance relating to real estate positions not yet sold in the amount of Euro 178 788 thousands, as described in note 40.

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

(thousand euros)

	2013	2012
Balance on 1 January	498 886	107 236
Acquisitions	455 056	451 982
Sales	(202 914)	(61 151)
Other movements	619	819
Balance on 31 December	751 647	498 886

The movement in impairment for non-current assets held for sale balance is analysed as follows:

(thousand euros)

	2013	2012
Balance on 1 January	26 009	20 406
Impaiment for the year	70 365	29 597
Write-back for the year	(7 958)	(23 994)
Balance on 31 December	88 416	26 009

29. Property and equipment

This balance is analysed as follows:

(thousand euros)

	2013	2012
Cost:		
Land and buildings:		
For own use	8 040	8 346
Leasehold improvements in rented buildings	40 235	58 801
Work in progress	19	35
Equipment:		
Furniture	19 328	19 667
Office equipment	2 968	2 975
Computer equipment	81 361	89 919
Interior installations	19 942	24 251
Motor vehicles	3 298	3 730
Security equipment	7 226	9 023
Other equipment	1	1
Works of art	2 869	2 869
Assets in operacional lease	1 670	3 344
Other tangible assets	1 954	1 954
Work in progress	2 037	952
	190 948	225 867
Accumulated depreciation:		
Charge for the year	(13 917)	(18 683)
Accumulated charge for the previous years	(132 715)	(151 533)
	(146 632)	(170 216)
	44 316	55 651

The Property and equipment movements, during the year of 2013, are analysed as follows:

(thousand euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost:					
Land and buildings:					
For own service	8 346	–	(306)	–	8 040
Leasehold improvements in rented buildings	58 801	68	(18 904)	270	40 235
Work in progress	35	–	–	(16)	19
Equipment:					
Furniture	19 667	33	(372)	–	19 328
Office equipment	2 975	13	(20)	–	2 968
Computer equipment	89 919	1 545	(10 103)	–	81 361
Interior installations	24 251	149	(4 590)	132	19 942
Motor vehicles	3 730	27	(459)	–	3 298
Security equipment	9 023	87	(1 884)	–	7 226
Other equipment	1	–	–	–	1
Works of art	2 869	–	–	–	2 869
Assets in operacional lease	3 344	140	(1 814)	–	1 670
Other tangible assets	1 954	–	–	–	1 954
Work in progress	952	1 701	–	(616)	2 037
	225 867	3 763	(38 452)	(230)	190 948
Accumulated depreciations:					
Land and building:					
For own service	2 876	295	(157)	–	3 014
Leasehold improvements in rented buildings	43 432	2 930	(18 904)	–	27 458
Equipment:					
Furniture	16 163	969	(351)	–	16 781
Office equipment	2 769	96	(21)	–	2 844
Computer equipment	75 278	6 537	(10 095)	2	71 722
Interior installations	15 960	1 670	(4 590)	(21)	13 019
Motor vehicles	3 646	83	(452)	–	3 277
Security equipment	7 023	818	(1 884)	(27)	5 930
Other equipment	1	–	–	–	1
Assets in operacional lease	1 498	380	(1 028)	27	877
Other tangible assets	1 570	139	–	–	1 709
	170 216	13 917	(37 482)	(19)	146 632

The Property and equipment movements, during the year of 2012, are analysed as follows:

(thousand euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost:					
Land and buildings:					
For own service	9 664	–	(870)	(448)	8 346
Leasehold improvements in rented buildings	55 733	250	–	2 818	58 801
Work in progress	35	–	–	–	35
Equipment:					
Furniture	19 979	32	(344)	–	19 667
Office equipment	3 055	4	(84)	–	2 975
Computer equipment	83 219	8 080	(1 380)	–	89 919
Interior installations	22 440	663	–	1 148	24 251
Motor vehicles	4 057	50	(377)	–	3 730
Security equipment	9 415	42	(434)	–	9 023
Other equipment	1	–	–	–	1
Works of art	2 755	114	–	–	2 869
Assets in operacional lease	4 825	127	(1 608)	–	3 344
Other tangible assets	1 954	–	–	–	1 954
Work in progress	4 387	573	–	(4 008)	952
	221 519	9 935	(5 097)	(490)	225 867
Accumulated depreciations:					
Land and building:					
For own service	2 951	311	(261)	(125)	2 876
Leasehold improvements in rented buildings	37 627	5 805	–	–	43 432
Equipment:					
Furniture	15 426	1 070	(333)	–	16 163
Office equipment	2 729	123	(83)	–	2 769
Computer equipment	68 849	7 805	(1 376)	–	75 278
Interior installations	14 204	1 756	–	–	15 960
Motor vehicles	3 906	117	(377)	–	3 646
Security equipment	6 550	908	(435)	–	7 023
Other equipment	1	–	–	–	1
Assets in operacional lease	1 688	623	(813)	–	1 498
Other tangible assets	1 405	165	–	–	1 570
	155 336	18 683	(3 678)	(125)	170 216

30. Intangible assets

This balance is analysed as follows:

(thousand euros)

	2013	2012
Cost:		
Software	52 386	57 767
Other intangible assets	88 333	88 333
	140 719	146 100
Accumulated depreciation:		
Charge for the year	(13 057)	(18 201)
Accumulated charge for the previous years	(15 422)	(19 027)
	(28 479)	(37 228)
	112 240	108 872

The balance Other intangible assets includes de amount of Euro 88 272 thousands representing the difference between assets and liabilities of Montepio Investimento, S.A. (previously designated as Finibanco, S.A.) acquired by CEMG in 4 April 2011 and its book value and consider the fair value of that assets and liabilities and the potential for business generating associated with the network Montepio Investimento, S.A. acquired, as described in note 1 *a*).

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

As at 31 December 2013 and 2012, was not determined the requirement of impairment losses recognition for these assets.

The Intangible assets movements, during the year of 2013, are analysed as follows:

(thousand euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost:					
Software	57 767	16 625	(22 006)	–	52 386
Other intangible assets	88 333	–	–	–	88 333
	146 100	16 625	(22 006)	–	140 719
Accumulated depreciation:					
Software	37 228	13 057	(22 006)	200	28 479

The Intangible assets movements, during the year of 2012, are analysed as follows:

(thousand euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost:					
Software	64 836	16 751	(23 820)	–	57 767
Other intangible assets	88 365	–	(32)	–	88 333
Work in progress	520	–	(520)	–	–
	153 721	16 751	(24 372)	–	146 100
Accumulated depreciation:					
Software	42 846	18 201	(23 819)	–	37 228
Other assets	32	–	(32)	–	–
	42 878	18 201	(23 851)	–	37 228

31. Taxes

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

Deferred income tax assets and liabilities as at 31 December 2013 and 2012 are analysed as follows:

(thousand euros)

	Assets		Liabilities		Net	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Financial instruments	15 395	14 059	(25 826)	(12 106)	(10 431)	1 953
Other tangible assets	1 870	–	(53)	(53)	1 817	(53)
Employees benefits	188 753	147 882	–	–	188 753	147 882
Pension Fund	38 144	41 428	–	–	38 144	41 428
Tax losses carried forward	95 419	52 103	–	–	95 419	52 103
Deferred tax assets/(liabilities)	339 581	255 472	(25 879)	(12 159)	313 702	243 313

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

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

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

- the reduction of the income tax rate from 25% to 23% and the creation of the state tax rate of 3% to 7% applied to the portion of the taxable income greater;
- changing in the reporting period of tax losses (calculated in periods beginning on or after 1 January, 2014) from 5 to 12 years;
- the non-taxation of gains taxable and non-tax deduction of losses arising on sale of equity shares, since verified a set of requirements, and full tax deduction of losses arising on investments due to the settlement of companies.

The deferred tax rate is analysed as follows:

	2013 **%**	**2012** **%**
Income tax (*a*)	23,0	25,0
Municipal surtax rate	1,5	1,5
State tax rate	5,0	2,5
Total (*b*)	29,5	29,0

(*a*) Applicable to deferred taxes related to tax losses.
(*b*) Applicable to deferred taxes related to temporary differences.

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

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

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

(thousand euros)

Recognition year	Expire date	2013	2012
2012	2017	–	52 103
2013	2018	95 419	–
		95 419	52 103

Deferred tax balance movements were recognized as follows:

(thousand euros)

	2013	2012
Initial balance	243 313	59 221
Charged to profit	85 302	178 149
Charged to fair value reserves	(12 384)	(16 375)
Charged to reserves and retained earnigs	(2 529)	22 318
Final balance (Asset/(Liability))	313 702	243 313

Tax recognized in the income and reserves for the periods ended 31 December 2013 and 2012 is analysed as follows:

(thousand euros)

	2013		2012	
	Charged to results	Charged to reserves	Charged to results	Charged to reserves
Financial instruments	–	(12 384)	–	(16 375)
Other tangible assets	(2 169)	27	(42)	–
Provisions	40 871	–	115 811	–
Death allowance	3 284	(2 556)	10 277	22 318
Tax losses carried forward	43 316	–	52 103	–
Deferred taxes/recognized (profit)/losses	85 302	(14 913)	178 149	5 943
Current taxes/recognized (profit)/losses	(1 353)	–	(1 309)	–
	83 949	(14 913)	176 840	5 943

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

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

(thousand euros)

	2013		2012	
	%	Amount	%	Amount
Net loss before income tax		(346 462)		(174 584)
Specific contribution for the banking sector		5 109		4 233
Net loss before income tax for reconciliation of the effective tax rate		(341 353)		(170 351)
Tax rate	25.0		25.0	
Income tax calculated based on the statury tax rate		(85 338)		(42 588)
Non deductible costs	53.4	182 331	53.9	(91 786)
Autonomous taxation and other assets	(9.4)	(32 097)	25.1	(42 775)
Others	5.6	19 053	(0.2)	309
Tax for the year	24.6	83 949	103.8	(176 840)

CEMG evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits. As at 31 December 2013, there are no unrecognized deferred taxes.

32. Other assets

This balance is analysed as follows:

(thousand euros)

	2013	2012
Recoverable subsidies from Portuguese Government	8 111	9 736
Other debtors	98 856	117 062
Other accrued income	6 920	3 954
Prepayments and deferred costs	2 326	6 130
Sundry debtors	17 202	242 289
	133 415	379 171
Impairment from recoverable subsidies	(3 086)	(3 086)
	130 329	376 085

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

As at 31 December 2013 and 31 December 2012, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(thousand euros)

	2013	2012
Recoverable subsidies from the Portuguese Government unliquidated	3 381	4 275
Subsidies unclaimed	762	1 543
Overdue subsidies unclaimed	3 968	3 918
	8 111	9 736

As at 31 December 2013, the balance Prepayments and deferred costs includes an amount of Euro 1 900 thousands (2012: Euro 5 388 thousands) referring to the impacts of the application of IAS 19 requirements not yet deferred, related to actuarial gains and losses of pension fund at 1 January, 2005. This amount will be charge for ten or eight years period depending on whether it relates to obligations with health or employees benefits, respectively, as referred in the note 1 *u*) and note 49.

As at 31 December 2013, the balance Sundry debtors includes the amount of Euro 8 027 thousands (2012: Euro 157 010 thousands) refer to transactions with securities recorded on trade date and pending settlement.

As at 31 December 2013, the balance Sundry debtors also includes the amount of Euro 55 009 thousands relating to net assets recognized in balance sheet and representing the excess coverage of pension liabilities, health benefits and death subsidies, as described in note 49.

The other assets impairment movements are analysed as follows:

(thousand euros)

	2013	2012
Balance on 1 January	3 086	–
Impairment for the year	–	572
Transfers	–	2 514
Balance on 31 December	3 086	3 086

33. Deposits from central banks

As at 31 December 2013 and 2012, this balance is related to deposits obtained in the European System of Central Banks and is covered by securities from the available-for-sale portfolio pledged as collaterals portfolio of financial assets available-for-sale.

The analysis of deposits from Central Banks by the period to maturity is as follows:

(thousand euros)

	2013	2012
Up to 3 months	1 768 860	110 007
More than 6 months	1 658 494	1 666 507
	3 427 354	1 776 514

34. Deposits from other financial institutions

This balance is analysed as follows:

(thousand euros)

	2013			2012		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institution in Portugal	139	59 455	59 594	850	59 368	60 218
Deposits from credit institutions abroad	57 650	983 721	1 041 371	549 054	515 802	1 064 856
	57 789	1 043 176	1 100 965	549 904	575 170	1 125 074

The balance Deposits from other credit institutions, analysed by the period of maturity, is as follows:

(thousand euros)

	2013	2012
Up to 3 months	648 592	552 153
3 to 6 months	99 279	14 772
6 months to 1 year	62 215	31 356
1 year to 5 years	52 076	348 578
More than 5 years	239 022	186 721
	1 101 184	1 133 580
Adjustments arising from hedging operations	(219)	(8 506)
	1 100 965	1 125 074

As at 31 December 2013, this balance includes the amount of Euro 71 019 thousands (2012: Euro 65 280 thousands) related to deposits at fair value through profit or loss.

35. Deposits from customers

This balance is analysed as follows:

(thousand euros)

	2013			2012		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	92 339	2 587 670	2 680 009	76 546	2 069 553	2 146 099
Time deposits	–	10 794 660	10 794 660	–	10 339 325	10 339 325
Saving accounts	–	130 589	130 589	–	170 577	170 577
Other resources	9 566	–	9 566	4 371	–	4 371
Adjustments arising from hedging operations	5 363	–	5 363	15 531	–	15 531
	107 268	13 512 919	13 620 187	96 448	12 579 455	12 675 903

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

As at 31 December 2013, this balance includes the amount of Euro 374 226 thousands (2012: Euro 437 599 thousands) related to deposits recognized 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:

(thousand euros)

	2013	2012
Deposits repayable on demand	2 680 009	2 146 099
Time deposits and saving accounts		
Due within 3 months	1 870 302	1 891 615
3 months to 6 months	3 122 488	2 839 245
6 months to 1 year	1 953 803	1 483 148
1 year to 5 years	3 910 239	4 223 251
Over 5 years	68 417	72 643
	13 605 258	12 656 001
Adjustments arising from hedging operations	5 363	15 531
	13 610 621	12 671 532
Other item		
Due within 3 months	9 566	4 371
	13 620 187	12 675 903

36. Debt securities issued

This balance is analysed as follows:

(thousand euros)

	2013	2012
Euro Medium Term Notes (EMTN)	216 393	545 862
Bonds	1 717 872	1 010 813
Covered bonds	80	63
Commercial paper	231 673	631 361
	2 166 018	2 188 099

The fair value of the debts securities issued is presented in note 48.

As at 31 December 2013, this balance includes the amount of Euro 273 233 thousands (2012: Euro 307 844 thousands) related to debt securities issued recognized at the balance sheet at fair value through profit or loss.

During 2013, CEMG issued Euro 1 633 550 thousands (2012: Euro 1 222 147 thousands) of debt securities and performed the refund of Euro 1 347 503 thousands (2012: Euro 1 240 377 thousands).

As at 31 December 2013 and 2012, the analysis of debt securities issued outstanding by period to maturity is as follows:

(thousand euros)

	2013	2012
Due within 6 months	292 704	685 803
6 months to 1 year	366 563	302 635
1 year to 5 years	1 489 492	1 191 817
Over 5 years	24 206	38 813
	2 172 965	2 219 068
Adjustments arising from hedging operations	(6 947)	(30 969)
	2 166 018	2 188 099

Under the Issuance of covered bonds program, which maximum amount is 5 000 million Euro, CEMG proceed to the emissions which totalized Euro 2 000 million. The main characteristics of these issues are as follows:

(thousand euros)

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody's/ /Fitch/Dbrs)
Covered Bonds – 2S	1 000 000	1 000 456	December 2009	December 2016	Quartely	Euribor3M+0.75%	Ba1/BBB/AL
Covered Bonds – 3S	500 000	500 158	November 2010	November 2015	Quartely	Euribor3M+2.5%	Ba1/BBB/AL
Covered Bonds – 4S	500 000	500 123	May 2013	May 2017	Annual	Euribor1M+0.75%	Ba1/BBB/AL
	2 000 000	2 002 737					

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

The amount of credits that collateralize these emissions is higher than Euro 2 718 554 thousands (2012: Euro 2 816 016 thousands), in 31 December 2012, according with note 21.

The change occurred in debt securities issued during the year ended 31 December 2013 is analysed as follows:

(thousand euros)

	Balance on 1 January	Issues	Repayments	Net repurchase	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	545 862	–	(500 000)	147 900	22 631	216 393
Bonds	1 010 874	792 364	(104 282)	–	18 977	1 717 872
Covered bonds	63	500 000	–	(500 000)	17	80
Commercial paper	631 361	341 186	(743 221)	–	2 347	231 673
	2 188 099	1 633 550	(1 347 503)	(352 100)	43 972	2 166 018

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

In accordance with the note 1 *c*), debt issued repurchased by CEMG is derecognized from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognized in the income statement.

The change occurred in debt securities issued during the year ended 31 December 2013 is analysed as follows:

(thousand euros)

	Balance on 1 January	Issues	Repayments	Net repurchase	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	1 081 778	–	(500 000)	(70 169)	34 253	545 862
Bonds	452 553	596 522	(32 077)	(18 437)	12 252	1 010 813
Covered bonds	706 357	–	(708 300)	–	2 006	63
Commercial paper	–	625 625	–	–	5 736	631 361
	2 240 688	1 222 147	(1 240 377)	(88 606)	54 247	2 188 099

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

As at 31 December 2013, the balance Debt securities issued is comprise of the following issues:

(thousand euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGS CAIXA-MONTEPIO INFLACCAO -2008-2016-1 SER. – EOK EUR AF08 3Y4S	25-06-2008	16-06-2016	Annual fixed rate of 3.2% + Annual European inflation rate	4 100
OBRIGS CAIXA-CRPC-STEMBRO -2009-2014 – DBB CRPC SET09 14	03-09-2009	04-09-2014	Fixed Annual Rate of 6%	3 400
OBRIGS CAIXA-CRPC-SETEMBRO -2009-2017 – DBB CRPC SET09 17	03-09-2009	04-09-2017	Fixed Annual Rate of 3.75% (From 6th to 7th year a fixed rate of 3.75%, 8th year a fixed rate of 6.75%)	1 300
OBRIGS CAIXA-CRPC-2009-2014-8.SERIE – EOJ CRPC 09 14 8S	13-11-2009	12-11-2014	Fixed Annual Rate of 5.75%	2 400
OBRIG.CX-MONTEPIO TX FIXA 2010/14 1SER. – EOM-TX FX10 14 1S	29-01-2010	29-01-2014	Interests are paid on a semiannual base with a fixed rate of 3.5%	9 806
OBRIGS CAIXA-MONTEPIO CABAZ OURO E PETROLEO – EOM-CABAZ OURO	02-03-2010	03-03-2014	At the maturity, the investor will receive the maximum between 4% and the annual performance , with a maximum of 28%	3 705
OBRIG.CX-MONTEPIO TX FIXA 2010/14 2SER. – EON-MGTXFX1014 2S	23-03-2010	23-03-2014	Fixed Annual Rate of 3.5%	20 000
OBRIGS CAIXA-MG TAXA FIXA CRESCENTE ABRIL-2010-2015 – EON-MGTX FX ABRIL	19-04-2010	19-04-2015	Fixed Annual Rate of 3% (4h year a fixed rate of 3%, 5th year a fixed rate of 3.5%)	500
OBRIGS CAIXA-MG TOP-2010-2014-1. SERIE – EOO-TOP 10 14 1S	31-05-2010	02-06-2014	Fixed Annual Rate of 3.25%	520
OBRIGS CAIXA-CABAZ ENERGIA-2010-201414 – EOO-CB ENERG10	31-05-2010	02-06-2014	At a maturity, the investor will receive the maximum between 4% ande the performance of underly ing (Equity portofolio energy)	2 201
OBRIGS CAIXA-MG CAPITAL CERTO-2010-2018 -2.-SERIE – EOO-CRPC 10 18 2S	21-07-2010	22-07-2018	Fixed Annual Rate of 2.5% (5th year a fixed rate of 2.75%; 6th year a fixed rate of 3%; 7th year a fixed rate of 3.5%, 8th year a fixed rate of 5%)	850
OBRIGS CAIXA-MG TAXA FIXA JULHO 2010/2014 – EOO-MG TXFX 10 14	30-07-2010	30-07-2014	Fixed Annual Rate of 3.5%	22 747
OBRIGS CAIXA-MG TAXA FIXA AGOSTO-2010-2014 – EOP-MG TXFX 1014	31-08-2010	31-08-2014	Fixed Annual Rate of 3.5%	15 914
OBRIGS CAIXA-MG TAXA FIXA SETEMBRO 2010-2020 – EOP-MGTXFXSET1020	09-09-2010	09-09-2020	Fixed Annual Rate of 4%	200
OBRIGS CAIXA-MG TAXA FIXA SETEMBRO 2010-2014 – EOP-TXFX SET10 14	30-09-2010	30-09-2014	Fixed Annual Rate of 3.5%	9 967
OBRIGS CAIXA-MG TELECOMUNICACOES DEZEMBRO 2010-2014 – EOP-MG TELEC 14	20-12-2010	20-12-2014	Interest = Max [2%; Min(performance,40%)]	558
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 1.SERIE – EOP CRPC11 16 1S	27-01-2011	28-01-2016	Fixed Annual Rate of 4.03% (4th year a fixed rate of 4.28%, 5th year a fixed rate of 5.28%)	22 250
OBRIGS CAIXA-MG TAXA FIXA JANEIRO 2011-2015 – EOQ TXFX JAN11 15	08-02-2011	08-02-2015	Fixed Annual Rate of 4%	19 918
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 2.SERIE – EOQ CRPC 11 16 2S	24-02-2011	25-02-2016	Fixed Annual Rate of 4.2% (4th year a fixed rate of 4.3%, 5th year a fixed rate of 5.6%)	22 300
OBRIGS CAIXA-MG TAXA CRESCENTE FEVEREIRO 2016 – EOQ TXCRESC FEV16	02-03-2011	25-02-2016	Fixed Annual Rate of 4.2% (4th year a fixed rate of 4.3%, 5th year a fixed rate of 5.6%)	9 050
OBRIGS CAIXA-MONTEPIO TOP EUROPA – MARCO 2011/2015 – EOQ MGTXFX MAR 13	09-03-2011	09-03-2015	At the maturity, the investor will receive the interest indexed to the performance of the Euro Stoxx50 index and Gold price	4 970
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 3.SERIE – EOQ-CRPC11 16 3S	31-03-2011	01-04-2016	Fixed Annual Rate of 4.25% (4th year a fixed rate of 4.5%, 5th year a fixed rate of 5.5%)	19 250
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019 1.SERIE – EOQ-CRPC11 19 1S	31-03-2011	01-04-2019	Fixed Annual Rate of 4.65% (4th year a fixed rate of 4.65%, 5th year and 6th year fixed rate of 5%, 7th year and 8th year fixed rate of 6.5%)	2 050
OBRIGS CAIXA-MG TAXA CRESCENTE ABRIL 2016 – EBE-MGTX CR ABR16	06-04-2011	01-04-2016	Fixed Annual Rate of 4.5% (4th year a fixed rate of 4.75%, 5th year a fixed rate of 5.75%)	3 800
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 4.SERIE – EBE-CRPC 11 16 4S	28-04-2011	29-04-2016	Fixed Annual Rate of 4.25% (4th year a fixed rate of 4.5%, 5th year a fixed rate of 5.5%)	14 800
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 5.SERIE- EBE-CRPC 11 16 5S	26-05-2011	27-05-2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	13 000

(thousand euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019 2.SERIE – EBE-CRPC 11 19 2S	26-05-2011	27-05-2019	Fixed Annual Rate of 5.15% (4th year a fixed rate of 5.15%, 5th year ande 6th year a fixed rate of 5.5%; 7th year a fixed rate of 6%, 8th year a fixed rate of 7%)	2 500
OBRIGS CAIXA-MG TAXA CRESCENTE JUN2011-ABR2016 – EBE – TX CRES ABR16	08-06-2011	29-04-2016	Fixed Annual Rate of 4.5% (4th year a fixed rate of 4.75%, 5th year a fixed rate of 5%)	500
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 6.SERIE – EBE – CRPC 11 16 6S	30-06-2011	01-07-2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	10 000
OBRIGS CAIXA-MG CAPITAL CERTO 1795 DIAS 2011/2016 – EOC – MG CAPCER1795	04-08-2011	29-07-2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	7 850
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019 3 SERIE – EOC CRPC 11 19 3S	07-09-2011	01-07-2019	Fixed Annual Rate of 5.15% (4th year a fixed rate of 5.15%, 5th year ande 6th year a fixed rate of 5.5%; 7th year a fixed rate of 6%, 8th year a fixed rate of 7%)	4 900
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016 7 SERIE – EOC CRPC 11 16 7S CEMG5	07-09-2011	01-09-2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	9 950
OBRIGS CAIXA-FNB DEZEMBRO 07/17 – EOS-FNB DEZ 0717A	20-12-2010	19-12-2017	1st year a fixed rate of 5%; Over 2nd year interest is calculated = Mínimum [15 * (30 Yr Swap Rate - 10 Yr Swap Rate) + 0.75%; 15 * (10 Yr swap Rate - 2 Yr Swap Rate) + 1.25%], of the index with a minimum of 0% and a maximum of 6,5%	23 906
OBRIGS CX-MG CAPITAL CERTO 2016-11.ª SER	20-01-2012	01-12-2016	Fixed semiannual rate of 6.36% (6th semester a fixed rate of 4.5%, 7th and 8th Semester a fixed rate of 6.68%, 9th and 10th Semester a fixed rate of 5.75%)	2 500
OBRIGS CX-MG CAPITAL CERTO 2016-12.ªSER	20-01-2012	29-12-2016	Fixed semiannual rate of 6.026% (5th and 6th semester a fixed rate of 6.839%, 7th and 8th semester a fixed rate of 7.6515%, 9th e 10th semester a fixed rate of 11.714%)	4 000
OBRIGS CX-MG CAPITAL CERTO 2012/17-1.ªS	31-01-2012	01-02-2017	Fixed semiannual rate of 6.026% ((5th and 6th semester a fixed rate of 6.861%,7th and 8th semester a fixed rate of 7.686%, 9th e 10th semester a fixed rate of 10.162%)	5 650
OBGS CX-MG CAPITAL CERTO 2012/17-1.ªSER	28-02-2012	01-03-2017	Fixed Annual Rate of 5.6667% (3rd year a fixed rate of 6.50%, 4th year a fixed rate of 7.3333%, 5th year a fixed rate of 9.8333%)	9 750
OBRIGS CX-MG CAP CERTO 2012/2017-3.ªSER	30-03-2012	31-03-2017	Fixed Annual Rate of 4.9539% (3rd year a fixed rate of 5.2830%, 4th year a fixed rate of 5.6122%, 5th year a fixed rate of 6.5997%)	30 000
OBRIGS CX-CRPC-2012/20-1.ªSER	30-03-2012	31-03-2020	Fixed Annual Rate of 5.25% (3rd year and 4th year a fixed rate of 6%, 5th year a fixed rate of 6.75%; 6th year, 7th year and 8th year of Max[6.25% e Min (IPC+2%;9.15%)]	4 400
OBRIGS CX-MG CAPI CERTO 2012/17-4.ªSER	30-04-2012	01-05-2017	Fixed Annual Rate of 4.80% (3th year a fixed rate of 5.10%, 4th year a fixed rate of 5.40%, 5th year a fixed rate of 6.35%)	68 000
OBRIGS CX-MG CAPITAL CERTO 2012/17-5.ªS	31-05-2012	01-06-2017	Fixed Annual Rate of 6.8874%(3th year a fixed rate of 8.8782%; 4th year a fixed rate of 9.6247%, 5th year a fixed rate of 13.6063%)	8 700
OBRIGS CAIXA-MG CAP CERTO 2012/20-2.ªSE	31-05-2012	01-06-2020	Fixed Annual Rate of 8.2583% (3rd year a fixed rate of 8.2583%; 4th year a fixed rate of 9.7083%; 5th year a fixed rate of 10.7250%; 6th year a fixed rate of 7.4750%; 7th year a fixed rate of 8.3% , 8th year a fixed rate of 11.1583%)	600
OBRIG CX-Mg PARTIC junho-junho-2012/14	04-06-2012	04-06-2014	Fixed Annual Rate of 5.00%	923
OBRIGS CX-MG TAXA FIXA-JUNHO 2012/2014	27-06-2012	27-06-2014	Fixed semiannual Rate of 5.00% (4th Semester a fixed rate of 5.00%)	21 919

(thousand euros)

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OBRIGS CX-MG CAP CERTO 2012/2017-6.ªS	29-06-2012	30-06-2017	Fixed Annual Rate of 7.27% (3rd year a fixed rate of 8.02%; 4th year a fixed rate of 9.27%, 5th year a fixed rate of 12.77%)	5 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR JULHO-2012-2014 – EOM MG PART JULHO	09-07-2012	09-07-2014	Fixed Annual Rate of 5%	20 240
OBRIGACOES CAIXA-MONTEPIO CABAZ ACOES JUNHO 2012/2015 – EOMMGCABAZ ACOES	11-07-2012	11-07-2015	Max[3.75%;Min(30%;50%xPC)]	2 272
OBRIGACOES CAIXA-MONTEPIO PARTICULAR JUL/12 23072014 – EBE-MGPART 230714	23-07-2012	23-07-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	330
OBRIGACOES CAIXA-MONTEPIO PARTICULAR JUL/12 24072014 – EOF-MGPART 240714	24-07-2012	24-07-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	900
OBRIGACOES CAIXA-MONTEPIO PARTICULAR JUL/12 25072014 – EOF-MGPART 250714	25-07-2012	25-07-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	400
OBRIGACOES CAIXA-MONTEPIO TAXA FIXA JULHO-2012-2014	25-07-2012	25-07-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	50 000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 7.SERIE	31-07-2012	01-08-2017	Fixed Annual Rate of 8.40% (3rd year a fixed rate of 8.65%; 4th year fixed rate of 10.40%; 5th year a fixed rate of 11.90%)	6 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/12 03082014	03-08-2012	03-08-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/12 06082015	06-08-2012	06-08-2015	Interests are paid on a semiannual base with a fixed rate of 5.25 % (4th semester a fixed rate of 5.25%; 5th semester and 6th semester a fixed rate of 5.35%)	1 025
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/12 08082014	08-08-2012	08-08-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	450
OBRIG.CX-MONTEPIO TX FIXA AGOSTO 2012-2014	16-08-2012	16-08-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	59 983
OBRIG.CX-MONTEPIO TX FIXA 24 AGOSTO 2012-2014	24-08-2012	24-08-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	78 002
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/12 31082014	31-08-2012	31-08-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	280
OBRIGS CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-3.ªSERIE – EOK CRPC12 20 3S	31-08-2012	01-09-2020	Fixed Annual Rate of 5.25% (3th year and 4th year a fixed rate of 6%; 5th year a fixed rate of 6.75%; 6thyear, 7th year, 8th year a fixed rate of Max[6.25% ; Min(IPC+2% ; 9.15%)]	1 345
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-8.SERIE	31-08-2012	01-09-2017	Fixed Annual Rate of 9.7667% (3rd year a fixed rate of 10.9333%; 4th year a fixed rate of 12.1%; 5th year a fixed rate of 10.7%)	9 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 03092014	03-09-2012	03-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %	265
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 05092014	05-09-2012	05-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.125%	2 300
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 12092014	12-09-2012	12-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	495
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 14092014	14-09-2012	14-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	400
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 17092014	17-09-2012	17-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	1 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 19092014	19-09-2012	19-09-2015	Interests are paid on a semiannual base with a fixed rate of 5.25 % (3rd year a fixed rate of 5.35%)	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 21092014	21-09-2012	21-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	525
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 27092014	27-09-2012	27-09-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	250
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 9.SERIE – EOD-CRPC 12 17 9S	28-09-2012	29-09-2017	Fixed Annual Rate of 11.9179% (3rd year a fixed rate of 12.1625%; 4th year a fixed rate of 13.3857%; 5th year a fixed rate of 12.3286%)	14 000

(thousand euros)

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OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 01102015	01-10-2012	01-10-2015	Fixed Annual Rate of 5.25% (3rd year a fixed rate of 5.35%)	340
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 02102014	02-10-2012	02-10-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	610
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 03102014	03-10-2012	03-10-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	675
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 04102014	04-10-2012	01-10-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 09102014 – EOC-MGPART 041014	09-10-2012	09-10-2014	Fixed Annual Rate of 5%	270
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 10102014	10-10-2012	10-10-2014	Fixed Annual Rate of 5.25%	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 15102014	15-10-2012	15-10-2014	Fixed Annual Rate of 5.25%	300
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 16102014	16-10-2012	16-10-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	1 210
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 10.SERIE – DTN-CRPC 1217 10S	31-10-2012	31-10-2017	Fixed Annual Rate of 5.15% (3rd year a fixed rate of 5.40%; 4th year a fixed rate of 5.60%; 5th year a fixed rate of 6.15%)	57 500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR NOV12 02112014 – EOE-MG PART NOV14	02-11-2012	02-11-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR NOV12-06112014 – EOE-MGPART 061114	06-11-2012	06-11-2014	Interests are paid on a semiannual base with a fixed rate of 5.25 %. (4th semester a fixed rate of 5.25%)	730
OBRIGACOES CAIXA-MONTEPIO PARTICULAR NOV12-09112014 – EOE-MGPART 091114	09-11-2012	09-11-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	300
OBRIGACOES CAIXA-MONTEPIO PARTICULAR NOV12-19112014 – EOE-MGPART 191114	19-11-2012	19-11-2014	Interests are paid on a semiannual base with a fixed rate of 5.25%	1 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA NOVEMBRO-2012-2014 – EOF-MGTXFX NOV 14	22-11-2012	22-11-2014	Fixed Annual Rate of 4.25%	6 282
OBRIGS CAIXA-MG TAXA FIXA PLUS NOVEMBRO-2012-2014 – EOFMGTXFXPLUS 14	22-11-2012	22-11-2014	Fixed Annual Rate of 5% (2nd year a fixed rate of 5%)	18 549
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 1.SERIE – PCB-MGPOUP FAM 1S	28-11-2012	29-11-2017	Fixed Annual Rate of 5.15% (3rd year and 4th year a fixed rate of 5.25%; 5th year a fixed rate of 6.70%)	3 450
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 – 11.SERIE – PCB-CRPC12 17 11S	28-11-2012	29-11-2017	Fixed Annual Rate of 5.15% (3rd year and 4th year a fixed rate of 5.25%; 5th year a fixed rate of 5.70%)	48 500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR DEZ12-05122014 – EOF-MGPART 051214	05-12-2012	05-12-2014	Interests are paid on a semiannual base with a fixed rate of 5.25% (4th semester a fixed rate of 5.25%)	250
OBRIGS CAIXA-MG TAXA FIXA PLUS 6DEZEMBRO 2012-2014 – EOF MGTXFXPLUS 12	06-12-2012	06-12-2014	Fixed Annual Rate of 5%	14 140
OBRIGS CAIXA-MG TAXA FIXA 6DEZEMBRO 2012-2014 – EOS-MGTXFX 061212	06-12-2012	06-12-2014	Fixed Annual Rate of 4.25%	4 114
OBRIGACOES CAIXA-MONTEPIO PARTICULAR DEZ12-21122015 – EOH MGPART 211215	21-12-2012	21-12-2014	Interests are paid on a semiannual base with a fixed rate of 5.25% (4th semester a fixed rate of 5.25%; 5th semester and 6th semester a fixed rate of 5.35%)	300
OBRIGS CAIXA-MONTEPIO TAXA FIXA 20DEZ-2012-2014 – EOH MGTXF 201212	20-12-2012	20-12-2014	Fixed Annual Rate of 4.25%	3 324
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS 20DEZ-2012-2014 – EOH TXFPLUS201212	20-12-2012	20-12-2014	Fixed Annual Rate of 5%	13 953
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS 31DEZ-2012-2014 – EOH MGTXFXP311212	31-12-2012	31-12-2014	Fixed Annual Rate of 5%	6 140
OBRIGS CAIXA-MONTEPIO TAXA FIXA 31DEZ-2012-2014 – EOH MGTXFX 311212	31-12-2012	31-12-2014	Fixed Annual Rate of 4.25%	2 122
OBRIGACOES CAIXA-MONTEPIO PARTICULAR DEZ12-31122014 – EOH MGPART 311214	31-12-2012	31-12-2014	Fixed Annual Rate of 5%	300

(thousand euros)

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OBRIGS CAIXA-MOMTEPIO-TIMBI-LEVERAGE 2012/2015 – EOH MG TIMBI LEV	31-12-2012	31-12-2015	VN*Max[0%;(400%*Portfolio performance)]	5
OBRIGS CAIXA-MG-CABAZ LATAM COMMODITIES 2012/2015 – EOH MGCABAZ LATAM	31-12-2012	31-12-2015	VN*Max[0%;Min(30%;60%*Portfolio performance)]	5
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-03012015 – EOH MGPART 030115	03-01-2013	03-01-2015	Fixed Annual Rate of 5% (2nd year a fixed rate of 5%)	11 800
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017 12.SERIE – PCF CRPC 1217 12S CEMG8	15-01-2013	29-12-2017	Fixed Annual Rate of 5% (2nd year a fixed rate of 5.125%; 3rd year a fixed rate of 5.25%; 4th year a fixed rate of 5.40%; 5th year a fixed rate of 5.75%)	28 350
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 2.SERIE – PCF MGPOUP FAM 2S CEMG2	15-01-2013	29-12-2017	Fixed Annual Rate of 5% (2nd year a fixed rate of 5.25%; 3th year a fixed rate of 5.40%; 4th year a fixed rate of 5.60%; 5th year a fixed rate of 6.25%)	2 300
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-22012015 – EOI-MGPART 220115	22-01-2013	22-01-2015	Interests are paid on a semiannual base with a fixed rate of 4.6% (3rd and 4th semester a fixed rate of 4.6%)	1 050
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-23012016 – EOI MGPART 230116	23-01-2013	23-01-2016	Fixed Annual Rate of 4.5% (2nd and 3rd year a fixed rate of 5.25%)	550
OBRIGS CAIXA-MONTEPIO TAXA FIXA 23JAN-2013-2015 – EOI MGTXFX 230115	23-01-2013	23-01-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.25%)	6 154
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS 23JAN 2013/15 – EOI TFXPLUS230115	23-01-2013	23-01-2015	Fixed Annual Rate of 4.75% (2 nd year a fixed rate of 4.75%)	19 018
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-29012016 – EOI-MGPART 291216	29-01-2013	29-01-2016	Fixed Annual Rate of 4.5% (2nd year a fixed rate of 4.75%; 3rd year a fixed rate of 5%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 1.SERIE – PCF-CRPC 13 18 1S	31-01-2013	31-01-2018	Fixed Annual Rate of 5.00% (2nd year a fixed rate of 5.10%; 3rd year a fixed rate of 5.15%; 4th year a fixed rate of 5.25%; 5th year a fixed rate of 5.50%)	58 700
OBRIGS CAIXA-MONTEPIO PARTIC FEVEREIRO 2013-01022015 – EOI MGPART 010215	01-02-2013	01-02-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	500
OBRIGS CAIXA-MONTEPIO PARTIC FEVEREIRO 2013-04022015 3,95% – EOI MGPART13 3.95	04-02-2013	04-02-2015	Interests are paid on a semiannual base with a fixed rate of 3.95% (3rd semester and 4th semester a fixed rate of 3.95%)	500
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013-04022015-4PC – EOI-MGPART2013 4	04-02-2013	04-02-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	446
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013-04022015-4,625PC – EOJ-MGPART 4.625	04-02-2013	04-02-2015	Interests are paid on a semiannual base with a fixed rate of 4.50% (3rd semester and 4th semester a fixed rate of 4.75%)	1 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS 6FEV-2013-2015 – EOJ TXFPLUS060215	06-02-2013	06-02-2015	Fixed Annual Rate of 4.50% (2nd year a fixed rate of 4.5%)	14 736
OBRIGS CAIXA-MONTEPIO TAXA FIXA 6 FEVEREIRO 2013-2015 – EOJ TXFX 060215	06-02-2013	06-02-2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.15%)	5 961
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-13022016 – EOJ MGPART 130216	13-02-2013	13-02-2016	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%; 3th year a fixed rate of 4.5%)	250
OBRIGACOES CAIXA-MONTEPIO PARTIC-USD FEV/13-13022016 – EOJ MG USD 130216	13-02-2013	13-02-2018	Fixed Annual Rate of 3.90% (2n year, 3rd year, 4th year and 5th year a fixed rate of 3.90%)	196
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-19022015 – EOJ-MGPART 190215	19-02-2013	19-02-2016	Interests are paid on a semiannual base with a fixed rate of 4.25% (2nd year a fixed rate of 4.40%)	529
OBRIGS CAIXA-MONTEPIO TAXA FIXA 20 FEVEREIRO 2013-2015 – EOJ-MGTXFX 200215	20-02-2013	20-02-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	4 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS 20FEV-2013-2015 – EOJTXFPLUS200215	20-02-2013	20-02-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.25%)	9 077
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-22022015 – EOR-MGPART 220215	22-02-2013	22-02-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	640
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-26022015 – EOR-MGPART 260215	26-02-2013	26-02-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	1 528

(thousand euros)

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OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 2.SERIE – PCH CRPC 13 18 2S	28-02-2013	01-03-2018	Fixed Annual Rate of 4.85% (2nd year a fixed rate of 4.85%; 3rd year and 4th year a fixed rate of 5.00%; 5th year a fixed rate of 5.40%)	44 450
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021 1.SERIE – PCH CRPC 13 21 1S	28-02-2013	01-03-2021	Fixed Annual Rate of 5.15% (2nd year a fixed rate of 5.20%; 3rd year a fixed rate of 5.30%; 4th year a fixed rate of 5.30%; 5th year a fixed rate of 5.30%; 6th year of Max[5.95%; Min (IPC+2%;8.25%)]; 7th year of Max[6.15%; Min (IPC+2%;8.50%)]; 8th year of Max[6.45%; Min (IPC+2%;8,.0%)])	2 865
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-04032015 – EORMGPART 040315	04-03-2013	04-03-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-05032015 – EORMGPART 050318	05-03-2013	05-03-2018	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%; 3rd year a fixed rate of 4.50%; 4th year a fixed rate of 4.70%; 5th year a fixed rate of 4.90%)	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-06 MARCO 2013-2015 – EOR-TXFX 060315	06-03-2013	06-03-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	3 681
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-06 MAR-2013-2015 – EORTXFXPLUS60315	06-03-2013	06-03-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	11 479
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-15032015 – EORMGPART 150315	15-03-2013	15-03-2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	15 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-18032015 – EOR MGPART 180315	18-03-2013	18-03-2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.25%)	265
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-19032015 – EOT MGPART 190315	19-03-2013	19-03-2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.25%)	700
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-27032015 – EOTMGPART 270315	27-03-2013	27-03-2015	Fixed Annual Rate of 4.05% (2nd year a fixed rate of 4.125%)	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA 20 MARCO 2013-2015 – EOR-MGTXFX 200315	20-03-2013	20-03-2015	Fixed Annual Rate of 4.1% (2nd year a fixed rate of 4.1%)	30 770
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 3.SERIE – EOT CRPC 13 18 3S	28-03-2013	29-03-2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3th year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 5.65%)	31 425
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-28032016 – EOTMGPART 280316	28-03-2013	28-03-2016	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%; 3rd year a fixed rate of 4.275%)	425
OBRIGS CAIXA-MONTEPIO TAXA FIXA 03 ABRIL 2013-2015 – EOT MGTXFX 030415	03-04-2013	03-04-2015	Interests are paid on a semiannual base with a fixed rate of 4% (2nd year a fixed rate of 4%)	18 203
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 05042015 – EOT-MGPART 050415	05-04-2013	05-04-2015	Fixed Annual Rate of 4.125% (2nd year a fixed rate of 4.125%)	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 17042015 – EOT-MGPART 170415	17-04-2013	17-04-2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 22042015 – EOT-MGPART 220415	22-04-2013	22-04-2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	300
OBRIGS CAIXA-MONTEPIO TAXA FIXA 17 ABRIL 2013-2015 – EOT-MGTXFX 170415	24-04-2013	24-04-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	30 599
OBRIGS CAIXA-MONTEPIO POUPANÇA FAMILIAR 2013-2018-1.SERIE -PCBMGPFAM1318 1S	30-04-2013	01-05-2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 6.70%)	3 150
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 4.SERIE – PCH-CRPC 13 18 4S	30-04-2013	01-05-2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 6.70%)	41 600
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 06052015 – EON-MGPART 060515	06-05-2013	06-05-2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	1 100
OBRIGS CAIXA-MONTEPIO TAXA FIXA 15 MAIO 2013-2015 – EON-MGTXFX 150515	15-05-2013	15-05-2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	22 406
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 17052015 – EON-MGPART 200515	20-05-2013	17-05-2015	Interests are paid on a semiannual base with a fixed rate of 4% (2nd year a fixed rate of 4%)	400

(thousand euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 22052015 – EON-MGPART 220515	22-05-2013	22-05-2015	Fixad Annual Rate of 4.075% (2nd year a fixed rate 4.175%)	7 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA 29 MAIO 2013-2015 – EON-MG TXFX290515	29-05-2013	29-05-2015	Interests are paid on a semiannual base with a fixed rate of 4% (2ºnd year a fixed rate of 4%)	9 450
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 29052015 – EON-MG PART290515	29-05-2013	29-05-2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 5.SERIE – PCF-CRPC 13 18 5S	31-05-2013	01-06-2018	Fixed Annual Rate of 4.4% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.9%; 5th year a fixed rate of 5.65%)	50 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA 12 JUNHO 2013-2015 – EBE-MG TXFX 13 15	12-06-2013	12-06-2015	Interests are paid on a semiannual base with a fixed rate of 3.75% (2nd year a fixed rate of 3.75%)	7 867
OBRIGS CAIXA-MONTEPIO TAXA FIXA 26 JUNHO 2013-2015 – EOP-MG TXFX 13 15	26-06-2013	26-06-2015	Interests are paid on a semiannual base with a fixed rate of 3.75% (2nd year a fixed rate of 3.75%)	6 835
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 6.SERIE – EOD-CRPC13 18 6S	28-06-2013	28-06-2018	Fixed Annual Rate of 4.4% (2nd year a fixed rate of 4.4%; 3rd year a ficed rate of 4.6%; 4th year a fixed rate of 4.75%; 5th a fixed rate of 4.9%)	40 150
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021 2.SERIE – EOK CRPC 13 21 2S	28-06-2013	28-06-2021	Fixed Annual Rate of 4.9% (2nd year a fixed rate of 4.9%, 3rd year a fixed rate of 5.1%, 4th year a fixed rate of 5.1%;5th year a fixed rate of 5.65%; 6th year to 8 th year of Max[5.95%;Min(IPC+2%;8.15%)]	1 645
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 7.SERIE – DON-CRPC13 18 7S	31-07-2013	01-08-2018	Fixed Annual Rate of 3.85% (2nd year a fixed rate of 4.15%, 3rd year a fixed rate of 4.35%, 4th year a fixed rate of 4.55%; 5th year a fixed rate of 4.9%)	45 100
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/13 29082015 – EOO MGPART 290815	29-08-2013	29-08-2015	Interests are paid on a semiannual base with a fixed rate of 2.8% (2nd year a fixed rate of 2.8%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 8.SERIE – DON-CRPC 13 18 8S	30-08-2013	31-08-2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 4.15%; 3th year a fixed rate of 4.35%, 4th year a fixed rate of 4.55%; 5th year a fixed rate of 4.90%)	41 000
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 9.SERIE – EOL-CRPC 13 18 9S	30-09-2013	01-10-2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.75%, 3rd year a fixed rate of 4%; 4th year a fixed rate of 4.2%; 5th year a fixed rate of 4.4%)	47 900
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 10.SERIE – DON-CRPC13 18 10S	31-10-2013	01-11-2018	Fixed Annual Rate of 3.75% (2nd year a fixed rate of 3.75%; 3rd year a fixed rate of 4%; 4th year a fixed rate of 4.1%; 5th year a fixed rate of 4.4%)	41 300
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 11.SERIE – PCG-CRPC13 18 11S	29-11-2013	30-11-2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.65%; 3rd year a fixed rate of 3.7%; 4th year a fixed rate of 3.75%; 5th year a fixed rate of 4%)	36 000
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018 12.SERIE	30-12-2013	31-12-2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.65%; 3rd year a fixed rate of 3.7%; 4th year a fixed rate of 3.75%; 5th year a fixed rate of 4%)	27 500
Empréstimo obrigacionista CEMG 2004	Set.2004	Set.2014	Euribor 3M + 0.25%	15 000
Empréstimo obrigacionista CEMG 2005	Fev.2005	Fev.2015	1st year rate of 3.5%; 2nd year: 0.875% x 10yr CMS rate	87 350
Empréstimo obrigacionista CEMG 2007	Jan.2007	Jan.2017	1st year rate of 4.2% 2nd year = 1 x 10yr CMS rate	74 850
Empréstimo obrigacionista CEMG 2007	Fev.2007	Fev.2017	Fixed Rate of 5%	41 250
PAPEL COMERCIAL-364 DIAS-4,5 PC 18012013 – PCF-PC69EMI180113	18-01-2013	17-01-2014	Fixed Rate of 4.5%	42 164
PAPEL COMERCIAL-364 DIAS-4,5 PC 30012013 – PCF-PC71EMI300113	30-01-2013	29-01-2014	Fixed Rate of 4.5%	34 514

(thousand euros)

Issue	Issue date	Maturity date	Interest rate	Book value
PAPEL COMERCIAL-364 DIAS-4PC 06022013 – PCG-PC73EM060213A	06-02-2013	05-02-2014	Fixed Rate of 4.0%	21 955
PAPEL COMERCIAL-364 DIAS-4PC 13022013 – PCG-PC75EMI130213	13-02-2013	12-02-2014	Fixed Rate of 4.0%	15 537
PAPEL COMERCIAL-364 DIAS-4PC 20022013 – PCG PC77EMI200213	20-02-2013	19-02-2014	Fixed Rate of 4.0%	14 943
PAPEL COMERCIAL-364 DIAS-4PC 27022013 – PCG-PC79EMI270213	27-02-2013	26-02-2014	Fixed Rate of 4.0%	21 967
PAPEL COMERCIAL-364 DIAS 4PC-06032013 – PCH-PC81EMI060313	06-03-2013	05-03-2014	Fixed Rate of 4.0%	17 724
PAPEL COMERCIAL-364 DIAS-4PC 13032013 – PCH-PC83EMI130313 1	3-03-2013	12-03-2014	Fixed Rate of 4.0%	14 466
PAPEL COMERCIAL-364 DIAS-3,5PC 27032013 – PCH PC87EMI270313	27-03-2013	26-03-2014	Fixed Rate of 3.5%	3 916
PAPEL COMERCIAL-364 DIAS-3,75PC 20032013 – DTN-PC85EMI200313	20-03-2013	19-03-2014	Fixed Rate of 3.75%	6 089
PAPEL COMERCIAL-364 DIAS-3,5 PC 03042013 – EOK-PC89EMI030413	03-04-2013	02-04-2014	Fixed Rate of 3.5%	2 786
PAPEL COMERCIAL-364 DIAS-3,5 PC 10042013 -EOK PC91EMI100413	10-04-2013	09-04-2014	Fixed Rate of 3.5%	3 297
PAPEL COMERCIAL-364 DIAS-3,5 PC 23042013 – EOD-PC93EMI230413	23-04-2013	22-04-2014	Fixed Rate of 3.5%	9 370
PAPEL COMERCIAL-364 DIAS-3,5 PC 30042013 – EMO-PC95EMI300413	30-04-2013	29-04-2014	Fixed Rate of 3.5%	2 119
PAPEL COMERCIAL-364 DIAS-3,5 PC 08052013 – PCE-PC97EMI080513	08-05-2013	07-05-2014	Fixed Rate of 3.5%	3 981
PAPEL COMERCIAL-364 DIAS-3,5 PC 15052013 – PCF-PC99EMI150513	15-05-2013	14-05-2014	Fixed Rate of 3.5%	2 624
PAPEL COMERCIAL-364 DIAS-3,5 PC 22052013 – PCG-PC101EM220513	22-05-2013	21-05-2014	Fixed Rate of 3.5%	2 908
PAPEL COMERCIAL-364 DIAS-3,5 PC 29052013 – EOM-PC103EM290513	29-05-2013	28-05-2014	Fixed Rate of 3.5%	1 230
PAPEL COMERCIAL-PARTICULAR-364D-4PC 21022013 – PCG-PCPART210213	21-02-2013	20-02-2014	Fixed Rate of 4.0%	2 000
Debt securities issued				2 119 075
Adjustments arising from hedging operations				(6 947)
Accruals, deferred costs and income				53 890
				2 166 018

As at 31 December 2013, for the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.5% and 16.76% (2012: 0.44% and 10.94%).

37. Financial liabilities relating to transferred assets

This balance is analysed as follows:

(thousand euros)

	2013	2012
Pelican Mortgages No. 3	321 510	345 445
Pelican Mortgages No. 4	779 364	809 543
Aqua Mortage No. 1	170 308	192 089
Pelican Mortgages No. 5	794 121	831 385
Pelican SME	387 402	545 009
Pelican Mortgages No. 6	991 952	1 020 260
Aqua SME n.º 1	195	–
	3 444 852	3 743 731

The detail of these operations is presented in note 51.

38. Provisions

This balance is analysed as follows:

(thousand euros)

	2013	2012
Provisions for general banking risks	110 993	106 663
Provisions for liabilities and charges	4 918	3 536
	115 911	110 199

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

(thousand euros)

	2013	2012
Balance on 1 January	106 663	117 066
Charge for the year	79 411	63 455
Write-back for the year	(75 081)	(73 858)
Balance on 31 December	110 993	106 663

The General provision for loan losses, was calculated in accordance with Regulation no. 3/95, no. 2/99 and no. 8/03 of Bank of Portugal, as referred in accounting policy 1 *b*).

As at 31 December 2013, CEMG reclassified commercial paper from financial assets available for sale to the loans and advances to customers. This transfer led to an establishment of reserves for general banking risks in the amount of Euro 7 558 thousands, as described in notes 21 and 24.

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

(thousand euros)

	2013	2012
Balance on 1 January	3 536	2 948
Charge for the year	1 382	1 570
Write-back for the year	–	(981)
Charged off	–	(1)
Balance on 31 December	4 918	3 536

39. Other subordinated debt

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

As at 31 December 2013, the mainly characteristics of the Other subordinated debt, are analysed as follows:

(thousand euros)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/06	Apr. 2006	Apr. 2016	50 000	Euribor 3 months+0.95%	26 139
CEMG/08	Feb. 2008	Feb. 2018	150 000	Euribor 6 months+1.5%	121 368
CEMG/08	Jun. 2008	Jun. 2018	28 000	Euribor 12 months+1.5%	18 179
CEMG/08	Jul. 2008	Jul. 2018	150 000	Euribor 6 months+1.5%	121 053
FNB 08/18 1.ª/2.ª Série	Dec. 2008	Dec. 2018	10 363	Euribor 6 months+1.5% (*iv*)	10 375
FNB Rendimento Seguro 05/15	Jun. 2005	Jun. 2015	238	6.25%*VN Min.(quote) (*iii*)	238
FNB Grandes empresas 07/16 1.ª série	May 2007	May 2016	6 450	Máx.[0;6.0%*(1-n/5)] (*i*)	6 486
FNB Grandes empresas 07/16 2.ª/3.ª série	Jun. 2011	Jun. 2016	30 250	Máx.[0;6.0%*(1-n/5)] (*i*)	30 388
FNB Indices estratégicos07/17 1.ª série	May 2007	Jun. 2015	14 947	6.25%*VN Min.(quote) (*ii*)	14 947
FNB Indices estratégicos07/17 2.ª/3.ª série	Jun. 2011	Jun. 2015	39 000	Euribor 6 months+0.5% (*ii*)	39 000
					388 173
				Corr. Liability value	(1 795)
					386 378

Other subordinated debt portfolio is recorded at fair value, in accordance with note 46.

As at 31 December 2013 and 2012, the effective interest rate range of the subordinated debt bears postponed interest every three and six months is set between 0.86% and 2.084% (2012: 0.86% and 2.00%).

References:

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

Coupon	Interest rate/range
1st Coupon	5.50%
2nd Coupon	5.50%
3rd Coupon	Max [0; 6.0% * (1-n/3)]
4th Coupon	Max [0; 6.0% * (1-n/4)]
5th Coupon	Max [0; 6.0% * (1-n/5)]
6th Coupon	Max [0; 6.0% * (1-n/6)]
7th Coupon	Max [0; 6.0% * (1-n/7)]
8th Coupon	Max [0; 6.0% * (1-n/8)]
9th Coupon	Max [0; 6.0% * (1-n/9)]

Notes:
where, n is the accumulated number of reference entities in which a credit event has occurred.

If a merge between two or more reference entities had occur and if a credit event occur in the merged entity, it will be accounted many credit events as the number of merged companies.

(ii) – The payment will be annually and it will be equal:

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

*** if not = 0%, where:

Barreira 3 = Barrier to be applied on 3rd coupon = 0%;
Barreira 4 = Barrier to be applied on 4th coupon = 1%;
Barreira 5 = Barrier to be applied on 5th coupon = 2%;
Barreira 6 = Barrier to be applied on 6th coupon = 3%;
Barreira 7 = Barrier to be applied on 7th coupon = 4%;
Barreira 8 = Barrier to be applied on 8th coupon = 5%;
Barreira k = Barrier to be applied on k* coupon
SDk – Closing of Eurostoxx Select Dividend Index (Bloomberg: SD3E) on the observation date K (K=1 to 6)
SD0 – Closing of Eurostoxx Select Dividend Index (Bloomberg: SD3E) on the starting date
SXk – Closing of Eurostoxx50 Total Return Index (Bloomberg: SX5T) on the observation date K (K=1 to 6)
SX0 – Closing of Eurostoxx50 Total Return Index (Bloomberg: SX5T) on the starting date
HSk – Closing of HS60 Europe Index (Bloomberg: HS60EU) on the observation date K (K=1 to 6)
HS0 – Closing of HS60 Europe Index (Bloomberg: HS60EU) on the starting date

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

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

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

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

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

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

40. Other liabilities

This balance is analysed as follows:

(thousand euros)

	2013	2012
Creditors:		
Suppliers	9 746	11 079
Other creditors	225 277	57 400
Public sector	19 599	15 319
Holiday pay and subsidies	34 404	30 479
Other administrative costs payable	140	820
Deferred income	640	687
Other sundry liabilities	150 015	216 192
	439 821	331 976

As at 31 December 2013, the balance Other creditors includes the amount of Euro 193 546 thousands related to the advances received for real estate positions sold to investment funds Montepio Arrendamento II – Fundo de Investimento Imobiliário para Arrendamento Habitacional and Montepio Arrendamento III – Fundo de Investimento Imobiliário para Arrendamento Habitacional.

The balance Other sundry liabilities includes the amount of Euro 68 205 thousands (2012: Euro 145 898 thousands) engaged to balances of banking and financial transactions pending settlement.

41. Share capital

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

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

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

After the referred operation, the share capital of CEMG, amounts Euro 1 500 000 thousands (2012: Euro 1 295 000 thousands) totally subscribed by «Montepio Geral – Associação Mutualista», and is fully paid.

42. Share instruments

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

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

Caixa Económica Montepio Geral issued 200 000 000 securities with the face amount of Euro 1, which will be nominated and ordinary shares only.

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

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

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

43. Other equity instruments

This caption includes the issuance of Euro 15 000 thousands occurred in the first quarter of 2010 Perpetual Subordinated Securities Interest conditioners made by Montepio Investimento, S.A. (previously designated as Finibanco, S.A.), and in connection with the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated as Finibanco Holding, S.G.P.S., S.A.), and its subsidiaries, was integrated in CEMG responsibilities, as described in note 1 *a*).

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

During 2013, CEMG repurchased perpetual subordinated instruments in the amount of Euro 6 727 thousands. After this operation, the balance Other equity instruments present Euro 8 273 thousands (2012: Euro 15 000 thousands).

Payment

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

- 1st to 4th coupon: 7.00%;
- 5th coupon and following: Euribor 6M + 2.75%, with a minimum of 5%.

Payment interest limitations

The Issuer will be prevented from making interest payment:

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

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

The impediment to proceed to the Interest Payment may be total or partial.

Interest non-payment on any date excludes the issuer of the interest payment related to this date in a future time.

It is considered distributable funds in a determined year the algebraic sum, with reference to the previous year, the retained earnings with any other amount which may be distributable and profit or loss, net of reserve requirements, statutory and legal, but before the deduction of the amount of any dividends on ordinary shares or other securities subject to these, for that exercise.

Reimbursement

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

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

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

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

44. General and special reserves

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

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

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

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

45. Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

(thousand euros)

	2013	2012
Fair value reserves		
Available-for-sale financial assets		
Gross amount	35 306	(6 736)
Taxes	(10 431)	1 953
Others	8 404	8 404
	33 279	3 621
Reserves and retained earnings		
General reserve	186 000	185 549
Special reserve	68 273	68 160
Deferred tax reserve	49 324	51 843
Retained earnings	(82 630)	(12 957)
	220 967	292 595

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

As at 31 December 2013, the caption Retained earnings includes the effect of correction of Euro 3 488 thousands (2012: Euro 10 024 thousands) arising from the Executive Board of Directors decision to change the accounting policy relating the recognition of actuarial deviations in accordance with IAS 19 – Employee benefits, as described in note 1 *u*).

The movements of this balance during 2013 are analysed as follows:

(thousand euros)

	Balance on 1 January	Reavaluation	Aquisitions	Sales	Impairment recognized in the year	Balance on 31 December
Fixed income securities:						
Bonds issued by Portuguese entities	9 036	676	33 902	(10 211)	–	33 403
Bonds issued by foreign entities	113	(2 520)	38	(179)	2 842	294
Bonds issued by other entities						
Portuguese	(16 951)	15 616	(20 387)	11 086	(9 972)	(20 608)
Foreign	1 378	6 476	1 952	4 804	(810)	13 800
Commercial paper	–	226	–	–	(226)	–
	(6 424)	20 022	15 505	5 500	(7 714)	26 889
Variable income securities:						
Shares in companies						
Portuguese	66	(2)	105	–	–	169
Foreign	1 006	1 519	332	(256)	(654)	1 947
Investments fund units	(1 384)	14 337	(2 399)	6 772	(11 025)	6 301
	(312)	15 854	(1 962)	6 516	(11 679)	8 417
	(6 736)	35 876	13 543	12 016	(19 393)	35 306

The movements of this balance during 2012 are analysed as follows:

(thousand euros)

	Balance on 1 January	Reavaluation	Aquisitions	Sales	Impairment recognized in the year	Balance on 31 December
Investments fund units:						
Bonds issued by Portuguese entities	(241 563)	151 213	4 622	94 764	–	9 036
Bonds issued by foreign entities	(684)	(6 051)	73	(1 277)	8 052	113
Bonds issued by other entities						
Portuguese	(20 634)	16 111	(7 265)	6 137	(11 300)	(16 951)
Foreign	(52 671)	19 997	14 899	18 153	1 000	1 378
Commercial paper	–	226	–	–	(226)	–
	(315 552)	181 496	12 329	117 777	(2 474)	(6 424)
Variable income securities:						
Shares in companies						
Portuguese	(4)	115	4	–	(49)	66
Foreign	(69)	2 184	46	26	(1 181)	1 006
Investments fund units	(1 067)	1 499	2 939	180	(4 935)	(1 384)
	(1 140)	3 798	2 989	206	(6 165)	(312)
	(316 692)	185 294	15 318	117 983	(8 639)	(6 736)

The fair value reserve can be analysed as follows:

(thousand euros)

	2013	2012
Amortised cost of available-for-sale financial assets	8 984 660	6 795 524
Accumulated impairment recognised	(77 679)	(58 286)
Amortised cost of available-for-sale financial assets, net impairment	8 906 981	6 737 238
Fair value of available-for-sale financial assets	8 942 287	6 730 502
Net/unrealised gains/(losses) recognised in the fair value reserve	35 306	(6 736)

46. Distribution of profit

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

47. Obligations and future commitments

Obligations and future commitments are analysed as follows:

(thousand euros)

	2013	2012
Guarantees granted	444 606	462 989
Guarantees received	31 234 424	31 740 740
Commitments to third parties	1 923 856	1 486 342
Commitments from third parties	41 703	42 279
Securitised loans	214 474	238 856
Securities and other items held for safekeeping on behalf of customers	7 919 199	6 601 424
	41 778 262	40 572 630

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

(thousand euros)

	2013	2012
Guaranteed granted		
Guaranteed	430 159	450 196
Open documentary credits	14 447	12 793
	444 606	462 989
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	366 184	148 659
Securities subscription	801 801	359 200
Annual contribution to the Guarantee Deposits Fund	25 314	25 314
Potential obligation with the Investors' Indemnity System	3 508	2 399
Revocable commitments		
Revocable credit lines	727 049	950 770
	1 923 856	1 486 342

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

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

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

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

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

As at 31 December 2013 and 2012, the balance Potential obligation with the Investors' Indemnity System refers to the irrevocable obligation that CEMG assumed, under the applicable law, to deliver to that system, in case needed, the required amount to pay its share of the indemnities to be paid to investors.

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

48. Fair value

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

Cash flows 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.

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.

  For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank was 0.25% (2012: 0.75%).

  Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by CEMG on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the 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.

– **Financial assets held to maturity**

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

– **Hedging and trading derivatives**

All derivatives are recorded at fair value.

In the case of those who are quoted in organized markets is used its market price. As for derivatives traded «over the counter», apply the numerical methods based on techniques of discounted cash flow valuation models and considering options including changing market interest rates applicable to the instruments concerned, and where necessary, their volatility.

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

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

The fair value of these instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the 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.

As at 31 December 2013, the average discount rate was 5.47% (2012: 5.14%), assuming the projection of variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

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

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

– **Deposits from customers**

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

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

As at 31 December 2013, the average discount rate was of 1.91% (2012: 2.69%).

– **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 customers 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 31 December 2013, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of CEMG:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	0.223%	0.080%	0.410%	-0.050%	0.078%
7 days	0.188%	0.129%	0.410%	-0.095%	0.089%
1 month	0.216%	0.160%	0.410%	-0.075%	0.100%
2 months	0.255%	0.210%	0.470%	-0.050%	0.040%
3 months	0.287%	0.330%	0.520%	-0.040%	0.060%
6 months	0.389%	0.410%	0.735%	0.040%	0.140%
9 months	0.480%	0.450%	0.810%	0.110%	0.230%
1 year	0.556%	0.580%	0.950%	0.180%	0.280%
2 years	0.544%	0.487%	1.031%	0.156%	0.209%
3 years	0.772%	0.868%	1.444%	0.294%	0.242%
5 years	1.260%	1.775%	2.148%	0.751%	0.385%
7 years	1.682%	2.468%	2.592%	1.182%	0.594%
10 years	2.155%	3.086%	3.006%	1.635%	0.910%
15 years	2.588%	3.580%	3.332%	2.015%	1.359%
20 years	2.714%	3.756%	3.332%	2.015%	1.359%
30 years	2.731%	3.886%	3.332%	2.015%	1.359%

As at 31 December 2012, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of CEMG:

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

Exchange rates and 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	**2013**	**2012**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.3791	1.3194	7.80	7.90	8.03	8.30	8.47
EUR/GBP	0.8337	0.8161	6.83	6.93	7.15	7.30	7.45
EUR/CHF	1.2276	1.2072	3.40	3.98	4.30	4.68	5.10
EUR/JPY	144.72	113.61	10.65	11.23	12.03	12.45	12.70

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

Next table shows the decomposition of main adjustments to the financial assets and liabilities of CEMG, which are recognized at book value and fair value at 31 December 2013 and 31 December 2012:

(thousand euros)

	2013						
	Held for trading	**Designated at fair value through profit or loss**	**Amortised cost**	**Available--for-sale**	**Others**	**Book value**	**Fair value**
Financial assets							
Cash and deposits at central banks	–	–	242 372	–	–	242 372	242 372
Loans and advances to credit institutions repayable on demand	–	–	84 578	–	–	84 578	84 578
Loans and advances to credit institutions	–	–	291 644	–	–	291 644	291 644
Loans and advances to customers	–	26 788	15 113 181	–	–	15 139 969	14 212 392
Financial assets held for trading	62 531	–	–	–	–	62 531	62 531
Other financial assets at fair value through profit or loss	–	3 450	–	–	–	3 450	3 450
Available-for-sale financial assets	–	–	–	8 942 287	–	8 942 287	8 942 287
Hedging derivatives	–	503	–	–	–	503	503
Held-to-maturity investments	–	–	17 227	–	–	17 227	17 936
Investments in associated companies and others	–	–	–	–	418 547	418 547	418 547
	62 531	30 741	15 749 002	8 942 287	418 547	25 203 108	24 276 240
Financial liabilities							
Deposits from central banks	–	–	3 427 354	–	–	3 427 354	3 427 354
Deposits from other credit institutions	–	71 019	1 029 946	–	–	1 100 965	1 100 965
Deposits from customers	–	374 226	13 245 961	–	–	13 620 187	13 632 135
Debt securities issued	–	273 233	1 892 785	–	–	2 166 018	3 817 166
Financial liabilities relating to transferred assets	–	–	–	–	3 444 852	3 444 852	1 839 847
Financial liabilities held for trading	62 242	–	–	–	–	62 242	62 242
Hedging derivatives	–	1 849	–	–	–	1 849	1 849
Other subordinated debt	–	92 442	–	–	–	386 738	326 530
	62 242	812 769	19 890 342	–	3 444 852	24 210 205	24 208 088

(thousand euros)

	2012						
	Held for trading	Designated at fair value through profit or loss	Amortised cost	Available--for-sale	Others	Book value	Fair value
Financial assets							
Cash and deposits at central banks	–	–	247 587	–	–	247 587	247 587
Loans and advances to credit institutions repayable on demand	–	–	57 370	–	–	57 370	57 370
Loans and advances to credit institutions	–	–	250 758	–	–	250 758	250 758
Loans and advances to customers	–	27 475	15 004 502	–	–	15 031 977	13 903 350
Financial assets held for trading	132 857	–	–	–	–	132 857	132 857
Other financial assets at fair value through profit or loss	–	12 300	–	–	–	12 300	12 300
Available-for-sale financial assets	–	–	–	6 730 502	–	6 730 502	6 730 502
Hedging derivatives	–	931	–	–	–	931	931
Held-to-maturity investments	–	–	17 222	–	–	17 222	18 217
Investments in associated companies and others	–	–	–	–	390 547	390 547	390 547
	132 857	40 706	15 577 439	6 730 502	390 547	22 872 051	21 744 419
Financial liabilities							
Deposits from central banks	–	–	1 776 514	–	–	1 776 514	1 776 514
Deposits from other credit institutions	–	65 280	1 059 794	–	–	1 125 074	1 125 074
Deposits from customers	–	459 313	12 216 590	–	–	12 675 903	12 704 144
Debt securities issued	–	283 667	1 904 432	–	–	2 188 099	2 137 924
Financial liabilities relating to transferred assets	–	–	–	–	3 743 731	3 743 731	3 743 731
Financial liabilities held for trading	84 808	–	–	–	–	84 808	84 808
Hedging derivatives	–	3 177	–	–	–	3 177	3 177
Other subordinated debt	–	88 212	391 455	–	–	479 667	356 225
	84 808	899 649	17 348 785	–	3 743 731	22 076 973	21 931 597

49. Employee benefits

Pensions and health-care benefits

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

Additionally, with the publication of Decree-Law no. 1-A/2011 of January 3, all banking sector employees beneficiaries of «CAFEB – Caixa de Abono de Família dos Empregados Bancários» were integrated into the General Social Security Scheme from 1 January 2011, which assumed the protection of banking sector employees in the contingencies of maternity, paternity and adoption and even old age, remaining under the responsibility of CEMGs the protection in sickness, disability, survivor and death.

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

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

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

In accordance with IAS 19, and regarding that the acquisition conditions of the benefit are fulfilled (vested), in fact the employee or the pensioner has the right to the benefit without having to fulfil any service condition – CEMG as at 31 December 2013 accounted the referred impact in results, which amounted Euro 1 078 thousands (2012: Euro 7 021 thousands) (amount that corresponds to the reduction of the liability on the death subsidy).

Due to the entry in force of the new statutes of CEMG earlier this year, the pension fund liability for the members of the Board of Directors of Montepio Geral – Associação Mutualista («MGAM») is a responsibility of MGAM.

As at 1 January 2013, took place the transfer of CEMG Board of Directors responsibilities from CEMG to MGAM, which amounted Euro 6 847 thousands, and the assets value in the same amount, in order to the liabilities were totally financed.

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

	Assumptions		Checked	
	2013	**2012**	**2013**	**2012**
Financial assumptions				
Salaries increase rate	1.50%	1.50%	1.50%	1.60%
Pensions increase rate	0.50%	0.50%	0.05%	0.14%
Projected rate of return of Fund assets	4.00%	4.50%	4.45%	16.30%
Discount rate	4.00%	4.50%	4.45%	–
Demographic assumptions and valuation methods				
Mortality table				
Men	TV 88/90	TV 88/90		
Women	TV 88/90	TV 88/90		
Actuarial method	UCP	UCP		

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

(thousand euros)

	2013	2012
Employees	3 781	3 843
Pensioners	1 011	976
	4 792	4 819

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

(thousand euros)

	2013	2012
Assets/(Liabilities) recognised in the balance sheet		
Pension plans		
Pensioners	(117 813)	(96 504)
Employees	(375 328)	(321 232)
	(493 141)	(417 736)
Healthcare benefits		
Pensioners	(18 050)	(16 752)
Employees	(26 241)	(22 749)
	(44 291)	(39 501)
Death Subsidy		
Pensioners	(582)	(1 073)
Employees	(565)	(956)
	(1 147)	(2 029)
Total	(538 579)	(459 266)
Coverages		
Value of the fund	538 579	514 275
Assets/(Liabilities) recognised in the balance sheet (see note 32)	–	55 009

In accordance with the accounting policy presented in note 1 *u*), CEMG liability with pensions is calculated annually.

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

The changes in the defined benefit obligation can be analysed as follows:

(thousand euros)

	2013				2012			
	Pension plans	Death Subsidy	Healthcare benefits	Total	Pension plans	Death Subsidy	Healthcare benefits	Total
Balance on 1 January	417 736	39 501	2 029	459 266	383 171	31 312	8 133	422 616
Finibanco integration	(6 422)	(418)	(7)	(6 847)	–	–	–	–
Service cost	8 437	1 117	49	9 603	8 586	778	484	9 848
Interest cost	18 509	1 759	91	20 359	21 074	1 722	447	23 243
Actuarial gains and losses								
Arising from changes in actuarial assumption	55 810	3 680	125	59 615	32 844	3 199	199	36 242
Not arising from changes in actuarial assumption	5 723	(32)	(1 119)	4 572	(23 115)	2 490	(7 234)	(27 859)
Contributions to the fund	(7 342)	(1 316)	(21)	(8 679)	(7 872)	–	–	(7 872)
Early retirement	690	–	–	690	3 048	–	–	3 048
Balance on 31 December	493 141	44 291	1 147	538 579	417 736	39 501	2 029	459 266

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

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

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

(thousand euros)

	2013	2012
Balance on 1 January	514 275	440 498
Finibanco integration	(6 847)	–
Return on Plan assets	22 674	71 042
Contributions to the Fund of CEMG	14 817	9 659
Contributions to the Fund of the employers	2 339	2 204
Payments	(8 679)	(7 872)
Transfer to the general social healthcare system («RGSS»)	–	(1 256)
Balance on 31 December	538 579	514 275

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

(thousand euros)

	2013	2012
Bonds	330 999	233 876
Loans and advances to credit institution and others	117 349	214 172
Other variable income securities	45 832	52 668
Direct real state	8 732	9 622
Shares	35 667	3 937
	538 579	514 275

The elements of the Pension Fund's assets are analysed as follows:

(thousand euros)

	2013	2012
Investments in banks and other	100 621	207 921
Direct real state	8 998	9 622
Bonds	2 748	2 760
	112 367	220 303

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

(thousand euros)

	2013	2012
Actuarial gains/(losses) recognized in other comprehensive income at the beginning of the period	(4 097)	27 313
Actuarial (gains)/losses		
– Changes in actuarial assumptions	59 615	36 242
– Experience adjustments	5 809	(67 652)
Actuarial gains (losses) recognized in other comprehensive income at the end of the period	61 327	(4 097)

As at 31 December 2013, the amortization of the transition adjustment to pensions net of deferred taxes, in accordance with Regulation no. 12/01 amounted Euro 3 488 thousands (2012: Euro 10 023 thousands).

The costs with reform pensions, healthcare benefits and death subsidies are analysed as follows:

(thousand euros)

	2013	2012
Service cost	9 603	9 848
Interest cost	20 359	23 243
Expected return on plan assets	(22 834)	(24 227)
Early retirementss	690	3 048
Resulting from the transfer to the general social healthcare system («RGSS»)	–	1 256
Partaking of participants	(2 339)	(2 204)
Changes in death benefit	(1 078)	(7 021)
Personnel costs	4 401	3 943

As at 31 December 2013 and 2012, the balance Other refers to the positive effect from the reduction of the liabilities related with death subsidies, following the referred publication of Decree-Law 133/2012 on 27 June 2012.

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

(thousand euros)

	2013	2012
Balance on 1 January	55 009	17 882
Expected return on plan assets	22 674	71 042
Contrubutions to the Fund of CEMG	14 817	9 659
Contributions to the Fund of the employers	2 339	2 204
Service cost	(9 603)	(9 848)
Interest cost	(20 359)	(23 243)
Actuarial and financial (gains)/losses	(64 187)	(8 383)
Pension costs	–	(1 256)
Early retirements	(690)	(3 048)
Balance on 31 December	–	55 009

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

(thousand euros)

	2013	2012	2011	2010	2009
Liabilities	(538 579)	(459 266)	(422 616)	(597 142)	(569 822)
Balance of funds	538 579	514 275	440 498	545 097	504 883
Responsabilities (sub)/over funded	–	55 009	17 882	(52 045)	(64 939)
(Gains) and losses arising from experience liabilities	64 187	(31 410)	(5 315)	(4 243)	(2 197)
(Gains) and losses arising from experience adjustments arising on assets	160	(46 815)	57 208	17 957	(14 893)

The actuarial assumptions have a significant impact in the pension liabilities. Considering, this impact, CEMG proceeded to a sensitivity analysis to a positive and negative change of 50 basis points in the value of pension liabilities, whose impact is analysed as follows:

(thousand euros)

	Liabilities	
	Increase	Decrease
Discount rate (0.25% change)	(26 461)	27 459
Wage growth rate (0.25% change)	16 776	(15 622)
Pension growth rate (0.25% change)	16 555	(15 871)
SAMS contribution (0.25% change)	2 344	(2 344)
Future death (1% change)	(1 340)	1 351
	7 874	(5 027)

50. Related parties transactions

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

CEMG's Subsidiaries:

Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)
Finibanco Angola, S.A.
Montepio Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Crédito – Instituição Financeira de Crédito, S.A.
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.

CEMG's associates:

HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Montepio Seguros, S.G.P.S., S.A.
Nova Câmbios, S.A.
Silvip, S.A.

Board of Directors:

António Tomás Correia
Jorge Barros Luís
Pedro Almeida Ribeiro
Fernando Paulo Magalhães

Other related parties:

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

As at 31 December 2013, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers, are analysed as follows:

(thousand euros)

Companies	2013			
	Deposits from customers	Other subordinated debt	Loans and advances to customers	Others Liabilities
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	5 937	–	–	–
Bolsimo – Gestão de Activos, S.A.	5 819	–	–	–
Conselho de Administração Executivo	329	–	1 062	–
Finibanco Angola, S.A.	11 035	–	–	–
Montepio Holding, S.G.P.S., S.A.	6 110	27 253	87 863	–
Finibanco Vida – Companhia de Seguros de Vida, S.A.	2 155	–	–	–
Montepio Investimento, S.A.	8 165	–	30 181	–
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	–	–	47 469	–
Finipredial – Fundo de investimento Imobiliário Aberto	269	–	35 004	–
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	5 082	–	3	–
Fundação Montepio Geral	1 043	–	–	–
Fundo de Pensões CEMG	105 322	4 717	–	–
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 666	–	–	–
Germont – Empreendimentos Imobiliários, S.A.	126	–	10 000	–
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	98	–	–	–
Iberpartners Cafés S.G.P.S., S.A.	–	–	1 550	–
Lestinvest, S.G.P.S., S.A.	200	–	50 850	–
Lusitania Vida, Companhia de Seguros, S.A.	35 336	30 050	–	–
Lusitania, Companhia de Seguros, S.A.	12 109	13 408	9 866	–
MG Investimentos Imobiliários, S.A.	8	–	–	–
Montepio Arrendamento – FIIAH	168 882	–	–	910
Montepio Arrendamento II – FIIAH	67 098	–	–	132 773
Montepio Arrendamento III– FIIAH	111 564	–	–	64 207
Montepio Crédito – Instituição Financeira de Crédito, S.A.	3 377	–	330 256	–
Montepio Geral – Associação Mutualista	503 250	1 030 928	1 661	–
Montepio Gestão de Activos – S.G.F.I., S.A.	1 412	–	–	–
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	1 036	–	–	–
N Seguros, S.A.	643	4 550	–	–
Nebra, Energias Renovables, SL	–	–	1 700	–
Nova Câmbios, S.A.	138	135	400	–
PEF – Fundo de Investimento Imobiliário Fechado	–	–	9 929	–
Residências Montepio, Serviços de Saúde, S.A.	43	–	2 970	–
Silvip, S.A.	2 028	–	195	–
	1 060 280	1 111 041	620 959	197 890

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

(thousand euros)

Companies	2012		
	Deposits from customers	Other subordinated debt	Loans and advances to customers
Banco Montepio Geral – Cabo Verde, Soc. Unipessoal, S.A. (I.F.I.)	476 817	53	982
Bolsimo – Gestão de Activos, S.A.	3 839	–	–
Conselho de Administração	1 349	–	–
Finibanco Angola, S.A.	26 928	–	–
Finibanco Holding, S.G.P.S., S.A.	185	–	206 286
Finibanco Vida – Companhia de Seguros Vida, S.A.	3 735	–	–
Finibanco, S.A.	11 749	–	25
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	16	–	6 100
Finipredial – Fundo de investimento Imobiliário Aberto	599	–	–
Finivalor – Sociedade Gestora de Fundos de Investimento, S.A.	4 249	–	–
Fundação Montepio Geral	965	–	–
Fundo de Pensões CEMG	188 848	2 350	–
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	3 460	–	–
Germont – Empreendimentos Imobiliários, S.A.	9	–	21 769
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	147	–	–
Iberpartners Cafés S.G.P.S., S.A.	24	–	–
Lestinvest S.G.P.S., S.A.	653	–	47 640
Lusitania Vida, Companhia de Seguros, S.A.	22 551	3 250	–
Lusitania, Companhia de Seguros, S.A.	16 318	13 000	15 000
MG Investimentos Imobiliários, S.A.	2	–	25
Montepio Arrendamento – FIIAH	14 000	–	–
Montepio Crédito – Instituição Financeira de Crédito, S.A.	6 611	–	32 818
Montepio Geral – Associação Mutualista	572 848	574 257	–
Montepio Gestão de Ativos – S.G.F.I., S.A.	891	–	–
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	836	–	–
N Seguros, S.A.	4 808	–	–
Nova Câmbios, S.A.	181	–	230
Nutre S.G.P.S., S.A.	–	–	15 000
Residências Montepio, Serviços de Saúde, S.A.	50	–	–
Silvip, S.A.	1 640	–	–
	1 364 308	592 910	345 875

As at 31 December 2013, CEMG's income with subsidiaries, included in the balances Interest and similar income and Fee and commission income, are analysed as follows:

(thousand euros)

Companies	2013		
	Interest and similar expense	Interest and similar income	Fee and comission income
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	–	–	1
Conselho de Administração Executivo	2	3	1
Finibanco Angola, S.A.	5	–	–
Montepio Holding, S.G.P.S., S.A.	6	2 441	29
Finibanco Vida – Companhia de Seguros de Vida, S.A.	107	2	45
Montepio Investimento, S.A. 8 290 2			
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	2	3 517	–
Finipredial – Fundo de investimento Imobiliário Aberto	2	1 423	–
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	128	1	1
Fundação Montepio Geral	3	–	–
Fundo de Pensões CEMG	2 827	35	2
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	50	–	4
Germont – Empreendimentos Imobiliários, S.A.	–	102	–
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	2	–	–
Iberpartners Cafés S.G.P.S., S.A.	–	62	3
Lusitania Vida, Companhia de Seguros, S.A.	703	16	67
Lusitania, Companhia de Seguros, S.A.	282	338	406
MG Investimentos Imobiliários, S.A.	–	–	1
Montepio Arrendamento – FIIAH	209	262	–
Montepio Arrendamento Habitacional – II	59	4	–
Montepio Arrendamento Habitacional – III	108	8	–
Montepio Crédito – Instituição Financeira de Crédito, S.A.	–	4 292	176
Montepio Geral – Associação Mutualista	18 109	385	18
Montepio Gestão de Activos – S.G.F.I., S.A.	20	–	2
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	12	–	–
N Seguros, S.A.	58	1	21
NEBRA, Energias Renovables, S.L.	–	56	17
Nova Câmbios, S.A.	–	68	10
Nutre, S.G.P.S., S.A.	–	230	–
PEF – Fundo de Investimento Imobiliário Fechado	–	218	1
Residências Montepio, Serviços de Saúde, S.A.	1	62	82
Silvip, S.A.	43	1	1
	22 746	13 817	890

As at 31 December 2012, CEMG's income with subsidiaries, included in the balances Interest and similar income and Fee and commission income, are analysed as follows:

(thousand euros)

Companies	2012		
	Interest and similar expense	Interest and similar income	Fee and comission income
Banco Montepio Geral – Cabo Verde, Soc. Unipessoal, S.A. (I.F.I.)	326	–	1
Bolsimo – Gestão de Activos, S.A.	–	–	1
Civilcentro – Construções do Centro, S.A.	–	129	–
Conselho de Administração	39	2 100	–
Finibanco Angola, S.A.	–	17	1
Finibanco Holding, S.G.P.S., S.A.	15	5 267	(806)
Finibanco Vida – Companhia de Seguros de Vida, S.A.	71	1	5
Finibanco, S.A.	3 769	2 512	10
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	–	422	–
Finipredial – Fundo de investimento Imobiliário Aberto	7	1 382	–
Finivalor – Sociedade Gestora de Fundos de Investimento, S.A.	196	1 469	–
Fundação Montepio Geral	200	–	1
Fundo de Pensões CEMG	10 537	65	66
Fundo de Pensões Finibanco	501	5	2
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	205	1	9
Germont – Empreendimentos Imobiliários, S.A.	–	361	–
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	5	–	–
Iberpartners Cafés S.G.P.S., S.A.	–	66	2
Lestinvest, S.G.P.S., S.A.	–	2 434	18
Lusitania Vida, Companhia de Seguros, S.A.	603	6	53
Lusitania, Companhia de Seguros, S.A.	390	399	322
MG Investimentos Imobiliários, S.A.	–	2	–
Montepio Arrendamento – FIIAH	527	4	–
Montepio Crédito – Instituição Financeira de Crédito, S.A.	–	6 629	24
Montepio Geral – Associação Mutualista	20 334	282	33
Montepio Gestão de Activos – S.G.F.I., S.A.	33	–	1 961
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	12	–	–
N Seguros, S.A.	99	1	5
NEBRA, Energias Renovables, S.L.	–	77	–
Nova Câmbios, S.A.	–	18	5
NutreS.G.P.S., S.A.	–	1 291	1
Prio Energy S.G.P.S., S.A.	1	336	252
Residências Montepio, Serviços de Saúde, S.A.	–	92	76
Silvip, S.A.	58	1	1
	37 928	25 369	2 043

The costs with salaries and other benefits attributed to CEMG key management personnel, as well as its transactions, are presented in note 11.

According to the principle of fair value, every transaction concerning related parties is at market prices.

During 2013 and 2012, there were no transactions with pension's fund of CEMG.

51. Securitization transactions

As at 31 December 2013, there are nine securitization transactions, six of which originated in CEMG and two in Montepio Investimento, S.A. (previously designated as Finibanco, S.A.), currently integrated into CEMG following the success of General and Voluntary Initial Public Offering on the equity representative shares of Montepio Holding, S.G.P.S., S.A. (previously designated as Finibanco Holding, S.G.P.S., S.A.) and transmission of almost all assets and liabilities for CEMG, as described in note 1 *a*).

In the following paragraphs present some additional details of these securitization transactions.

As at 19 December, 2002, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 650 000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.016% of the referred nominal value

As at 29 September, 2003, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 700 000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0286% of the referred nominal value.

As at 30 March, 2007, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 3. The referred agreement consists in a mortgage credit transfer for a period of 47 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 750 000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0165% of the referred nominal value.

As at 20 May, 2008, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 4. The referred agreement consists in a mortgage credit transfer for a period of 48 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1 000 000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.083% of the referred nominal value.

As at 9 December 2008, Finibanco had settled a mortgage credit portfolio to «Tagus – Sociedade de Titularização de Créditos, S.A.» in the amount of Euro 233 000 thousands (Aqua Mortage No. 1). The total period of this operation is 55 years, with a revolving period of 2 years.

As at 25 March 2009, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 5. The referred agreement consists in a mortgage credit transfer for a period of 52 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1 000 000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0564% of the referred nominal value.

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

As at 5 March 2012, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage No. 6. The referred agreement consists in a mortgage credit transfer for a period of 51 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1 040 200 thousands. The transfer price by which the loans were transferred was their nominal value, including the selling costs which represent 0.1083% of the Asset Backed Notes.

The entity that guarantees the debt service (servicer) of this operations is «Caixa Económica Montepio Geral» assuming the collection and distribution of credits assigned amounts received by deposits, to Sociedades Gestoras de Fundos de Titularização de Créditos Pelican Mortgages No. 1, Pelican Mortgages No. 2) and to Sociedades de Titularização de (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican Mortgages No. 6 e Aqua Mortgages No. 1).

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

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

As at 31 December 2013, the securitization operations are presented as follows:

(thousand euros)

Issue	Settlement date	Currency	Asset transferred	Amount
Pelican Mortgages No. 1	December 2002	Euro	Mortgage credit	653 250
Pelican Mortgages No. 2	September 2003	Euro	Mortgage credit	705 600
Pelican Mortgages No. 3	March 2007	Euro	Mortgage credit	762 375
Pelican Mortgages No. 4	May 2008	Euro	Mortgage credit	1 028 600
Aqua Mortgage No. 1	December 2008	Euro	Mortgage credit	236 500
Pelican Mortgages No. 5	March 2009	Euro	Mortgage credit	1 027 500
Pelican SME	June 2010	Euro	Small companies	1 205 795
Pelican Mortgages No. 6	February 2012	Euro	Mortgage credit	1 107 000
				6 726 620

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

(thousand euros)

	2013	2012
Pelican Mortgages No.1	71 938	81 282
Pelican Mortgages No. 2	142 536	157 573
	214 474	238 855

As at 31 December 2013, the notes issued by the special purpose vehicles, are analysed as follows:

Issue	Bond Issued	Issue amount Euro	Currents amount Euro	CEMG's interest retention Euro	Maturity date	Rating (Initial)				Rating (Current)			
						Fitch	Moody's	S&P	DBRS	Fitch	Moody's	S&P	DBRS
Pelican Mortgages No. 1	Class A	611 000 000	28 186 971	8 841 676	2037	AAA	Aaa	n.a	.n.a.	A	Baa3	n.a.	n.a.
	Class B	16 250 000	16 250 000	–	2037	AAA	A2	n.a.	n.a.	A	Baa3	n.a.	n.a.
	Class C	22 750 000	22 750 000	–	2037	BBB+	Baa2	n.a.	n.a.	n.a.	Ba2	n.a.	n.a.
	Class D	3 250 000	3 250 000	3 250 000	2037	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No. 2	Class A	659 750 000	100 829 894	42 252 910	2036	AAA	Aaa	AAA	n.a.	A	Baa3	A-	n.a.
	Class B	17 500 000	17 500 000	10 060 000	2036	AA+	A1	AA-	n.a.	A	Ba1	A-	n.a.
	Class C	22 750 000	22 750 000	8 600 000	2036	A-	Baa2	BBB	n.a.	BBB	B2	n.a.	n.a.
	Class D	5 600 000	5 600 000	5 600 000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No. 3	Class A	717 375 000	305 207 706	128 784 872	2054	AAA	Aaa	AAA	n.a.	A	Ba2	A-	n.a.
	Class B	14 250 000	7 880 031	7 575 915	2054	AA-	Aa2	AA-	n.a.	BBB	B3	BBB	n.a.
	Class C	12 000 000	6 635 815	6 396 948	2054	A	A3	A	n.a.	BB	Caa2	BBB-	n.a.
	Class D	6 375 000	3 525 277	3 525 289	2054	BBB	Baa3	BBB	n.a.	B	Caa3	BB	n.a.
	Class E	8 250 000	–	–	2054	BBB-	n.a.	BBB-	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No. 4	Class A	832 000 000	615 769 633	615 769 718	2056	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	A
	Class B	55 500 000	54 510 234	54 510 234	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60 000 000	58 929 983	58 929 983	2056	A-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class D	25 000 000	24 554 159	24 554 160	2056	BBB	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	27 009 575	27 009 575	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No. 5	Class A	750 000 000	552 929 021	552 929 024	2061	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AAH
	Class B	195 000 000	190 323 385	190 323 385	2061	BBB-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class C	27 500 000	26 840 477	26 840 477	2061	B	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class D	27 500 000	26 840 477	26 840 477	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	1 183 500	1 183 500	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23 000 000	23 000 000	23 000 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No. 6	Class A	750 000 000	704 885 477	704 885 477	2063	A	n.a.	A-	AA	A	n.a.	A-	AA
	Class B	250 000 000	250 000 000	250 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1 800 000	–	–	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65 000 000	65 000 000	65 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican SME	Class A	577 500 000	58 670 323	58 670 324	2036	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AA
	Class B	472 500 000	310 639 517	310 639 517	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Vertical	117 000 000	38 267 669	32 999 858	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	7 294 000	–	–	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Residual	31 500 000	31 500 000	31 500 000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No. 1	Class A	203 176 000	138 918 473	140 963 174	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A-	AAH
	Class B	29 824 000	29 824 000	29 824 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

52. Risk management

CEMG is subject to several risks during the course of its business.

CEMG's risk management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

In this connection, monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which CEMG's business is subject are of particular importance.

The analysis and risk control are carried out in an integrated mode, through the «Direção de Risco» («DRI»), which includes three departments:

– Credit Risk Department: responsible for development and integration in decision-making of internal models of credit risk analysis, and reporting on Prudential Equity and internal reports on credit risk;

– Market Risk Department: ensure the examination and supervisory reporting and internal market risk, interest rate, foreign exchange and liquidity, as well as their integration into decision-making processes of the trading room; and

– Operational Risk Department: operational risk management responsible.

«DRI» also ensures coordination with Bank of Portugal, in the field of prudential reports, including the level of capital requirements, liquidity risk and interest rate risk.

The trading room collaborates with DRI, in order to perform the measurement and monitoring of transaction risk and portfolio, as well as proper monitoring of the positions of CEMG global risks.

Under the credit risk management and control have been developed several activities, including most importantly the regular realization of Committee of the Risk and Internal Control and policy delegation review of credit decision, in order to make it sensitive to the level expected risk of the client/transaction.

Additionally, was created the «Direção de Análise de Crédito», which ensures the assessment of credit proposals from companies and individuals, as well as the assignment of internal ratings in the corporate segment.

On the regulatory and Basel II, were developed reports referred in Pillar II – Capital adequacy, and Pillar III – Market Discipline. Under Pillar II were reported to Bank of Portugal reports Process Self-Evaluation of the Capital Market («ICAAP»), Stress Testing and Risk Concentration as Instruction no. 5/2011, Bank of Portugal. The results of the reports point to the soundness of capital levels commensurate with the risks with greater materiality and the potential adverse developments in key macroeconomic indicators. At the level of risk concentration there is a positive development in the main types of concentration – Sectorial, Geographic and Individual. Under Pillar III, was made public the report of Market Discipline, detailing the types and levels of risk incurred in the activity, as well as the processes, structure and organization of risk management.

It also ensured the participation in the work of «Programa Especial de Inspeções», under the Memorandum signed between the Portuguese State and European Central Bank, European Commission and International Monetary Fund.

This program focused on three areas of work -credit impairment calculation, capital requirements for credit risk calculation and stress testing procedures. The results were very satisfactory, confirming the adequacy of procedures adopted by CEMG.

CEMG has also been following the recommendations of the Basel Committee and follows closely the developments in the Basel III framework of liquidity management and capital assessment, having been carried out analyzes of their impact. CEMG has also regularly participated in Quantitative Impact Studies (QIS) Basel III, developed by Bank of Portugal in accordance with the guidelines of the European Bank Association (EBA). The documents published by the Basel Committee in late 2009, are now published in their final versions and is expected to be transposed into European directives soon (endorsed in the EU directive named CRR and CRD IV, having already started its transposition into national law in accordance with Regulation no. 6/2013 of Bank of Portugal, so the first official report according to the new rules will be made on March 2014).

Main types of risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects CEMG's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk is the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal organization

The Executive Board of Directors is responsible for risk management strategy and policies, and it is advised by the Risk Analysis and Management Division in these fields, that undertake the analysis and the risk management from the standpoint of CEMG, includes the coordination of the Risk Committee and Internal Control and reporting the level of the Asset and Liability Committee («ALCO») and the Committee on Information Technology.

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

Depending on the nature and severity of the risk, plans, programs or actions shall be drawn up, supported by information systems, and procedures shall be devised that provide a high degree or reliably as to the risk management measures defined whenever necessary.

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

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

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

Risk evaluation

Credit Risk – Retail

Credit risk models play a significant role in credit decision process. Indeed, the decision process concerning the credit portfolio depends on a group of policies based on scoring models developed to individual and business clients and the rating for the corporate sector.

Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants' behaviour. In order to support commercial strategies reactive scoring models are also used, namely in the main individual credit portfolios, such as mortgage and individual loans, distinguishing between customers and non-customers (or new customers).

To corporate credit are used internal rating models to medium and large companies, distinguishing construction from the other activity sectors, while for customers «Empresários em nome individual» and micro business is applied the scoring model business.

CEMG's credit risk exposure can be analysed as follows:

(thousand euros)

	2013	2012
Deposits with Other credit institutions	84 578	57 370
Deposits with banks	291 644	250 758
Loans and advances to customers	15 028 976	14 925 314
Financial assets held for trading	54 722	120 520
Financial assets at fair value through profit or loss	3 450	12 300
Available-for-sale financial assets	7 537 402	6 120 622
Hedging derivatives	503	931
Held-to-maturity investments	17 227	17 222
Investments in associated companies and others	418 547	390 547
Other assets	125 306	314 129
Guarantees granted	430 159	450 196
Documentary credits	14 447	12 793
Irrevocable commitments	366 184	148 659
Credit default swaps (notionals)	25 000	32 500
	24 398 145	22 853 861

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

(thousand euros)

Sector of activity	2013							
	Loans and advances to customers		Financial assets held for trading	Other financial assets at fair value trough profit or loss	Available-for-sale financial assets		Held-to--maturity investments	Guarantees granted
	Gross Amount	Impairment (a)	Book Value	Book Value	Gross Amount	Impairment	Book Value	Book Value
Agriculture	62 157	(4 509)	–	–	–	–	–	1 521
Mining	17 862	(799)	–	–	1 970	–	–	2 532
Food, beverage and tobacco	183 959	(17 956)	–	–	14 576	–	–	4 019
Textiles	67 037	(16 017)	–	–	–	–	–	436
Shoes	22 187	(3 706)	–	–	–	–	–	125
Wood and cork	41 518	(13 469)	–	–	–	–	–	1 642
Printing and publishing	81 799	(6 639)	–	–	–	–	–	351
Petroleum refining	84	(1)	–	–	7 594	–	–	–
Chemicals and rubber	122 231	(5 124)	–	–	400	–	–	1 757
Non-metallic minerals	48 077	(4 606)	–	–	–	–	–	2 891
Basis metallurgic industries and metallic products	143 330	(13 884)	–	–	74 227	–	–	10 003
Production of machinery	37 514	(2 416)	–	–	–	–	–	1 450
Production of transport material	28 598	(5 626)	–	–	–	–	–	192
Other transforming material	34 472	(5 781)	–	–	91 895	–	–	1 581
Electricity, gas and water	131 690	(1 467)	–	–	202 563	–	–	2 523
Construction	1 764 534	(342 855)	102	–	21 289	(998)	–	170 084
Wholesale and retail	920 432	(148 433)	–	–	5 074	–	–	71 567
Tourism	320 408	(26 515)	–	–	–	–	–	7 884
Transports	340 011	(13 770)	–	–	22 282	–	–	15 173
Communications and information activities	44 501	(6 175)	–	–	36 774	–	–	789
Financial activities	1 237 409	(58 584)	54 138	3 450	988 229	(28 253)	–	77 007
Real estates activities	840 654	(114 600)	–	–	–	–	–	25 015
Services provided to companies	376 024	(32 514)	482	–	1 224	–	–	15 303
Public services	115 553	(2 269)	–	–	3 089 640	(8 415)	17 227	533
Other activities of collective services	372 574	(14 887)	–	–	–	–	–	6 606
Mortgage loans	8 371 455	(229 333)	–	–	2 898 523	(17 098))	–	–
Others	457 402	(62 561)	–	–	135 906	–	–	9 175
Total	16 183 472	(1 154 496)	54 722	3 450	7 592 166	(54 764)	17 227	430 159

(a) includes provision for impairment in value of 1 043 503 thousand euros (see note 21) and the provision for general banking risks amounting to 110 993 thousand euros (see note 38).

The analysis of the risk exposure by sector of activity, as at 31 December 2012, can be analysed as follows:

(thousand euros)

Sector of activity	Loans and advances to customers		Financial assets held for trading	Other financial assets at fair value trough profit or loss	Available-for-sale financial assets		Held-to--maturity investments	Guarantees granted
2012								
	Gross Amount	Impairment ([a])	Book Value	Book Value	Gross Amount	Impairment	Book Value	Book Value
Agriculture	69 472	(5 294)	–	–	–	–	–	1 079
Mining	40 658	(1 067)	–	–	–	–	–	1 546
Food, beverage and tobacco	154 106	(12 214)	–	–	2 948	–	–	5 196
Textiles	78 520	(28 463)	–	–	–	–	–	434
Shoes	22 240	(6 059)	–	–	–	–	–	154
Wood and cork	51 396	(9 117)	–	–	87 275	–	–	1 996
Printing and publishing	50 767	(2 686)	–	–	–	–	–	374
Petroleum refining	504	(220)	–	–	54 638	–	–	–
Chemicals and rubber	97 092	(7 802)	–	–	1 034	–	–	2 079
Non-metallic minerals	56 132	(3 766)	–	–	–	–	–	2 878
Basis metallurgic industries and metallic products	143 599	(11 124)	–	–	–	–	–	9 151
Production of machinery	46 482	(3 127)	–	–	260	–	–	1 691
Production of transport material	19 438	(3 693)	–	–	–	–	–	305
Other transforming material	41 327	(6 334)	–	–	129 001	(79)	–	1 709
Electricity, gas and water	110 478	(1 183)	–	3 165	5 481	–	–	5 261
Construction	2 133 164	(273 529)	–	–	2 245	(998)	–	196 509
Wholesale and retail	1 075 241	(146 854)	250	–	6 926	(148)	–	61 028
Tourism	339 454	(23 676)	–	–	7 314	–	–	10 039
Transports	219 074	(14 677)	–	–	22 831	–	–	11 362
Communications and information activities	54 420	(5 445)	–	–	30 721	–	–	1 169
Financial activities	629 214	(18 039)	120 270	9 135	1 453 003	(21 413)	–	68 814
Real estates activities	835 039	(89 668)	–	–	7 008	–	–	34 800
Services provided to companies	522 951	(28 096)	–	–	18 777	–	–	13 501
Public services	149 299	(2 181)	–	–	1 217 965	(11 257)	17 222	595
Other activities of collective services	416 388	(17 853)	–	–	998	–	–	7 989
Mortgage loans	8 391 089	(148 719)	–	–	2 979 250	(13 155)	–	–
Others	187 137	(138 481)	–	–	139 997	–	–	10 539
Total	15 934 680	(1 009 366)	120 520	12 300	6 167 672	(47 050)	17 222	450 196

(a) includes provision for impairment in value of 902 703 thousand euros (see note 20) and the provision for general banking risks amounting to 106 663 thousand euros (see note 37).

With regard to credit risk, the financial assets portfolio predominantly maintains its position in bonds of sovereign issuers, mainly from Portuguese Republic.

During 2013, there was a reduction of the nominal credit default swaps portfolio, by the maturity of several deals, with the buying and selling of credit protection decreasing to Euro 9 000 thousands and Euro 16 000 thousands (from Euro 11 500 thousands and Euro 21 000 thousands as at December 2012, respectively).

In terms of credit quality, there was a raise in the average level of counterparties on maturity of the higher risk positions (BB-) and despite the reduction in credit rating of a foreign financial counterparty, from BBB to BBB-. Credit protection of Portuguese counterparts, the one below the investment grade, included buying and selling protecting positions of Euro 13 000 thousands and Euro 3 000 thousands, respectively.

Overall Risks and Financial Assets

Efficient balance sheet management also involves the Assets and Liabilities Committee («ALCO»), which examines interest rate, liquidity and exchange rate risks, namely as regards compliance with the limits set for the static and dynamic gaps calculated.

Normally the static interest rate and liquidity gaps are positive and moderate in size, with exception of those months when payments are made relating to bond issue debt service. As for exchange rate risk, the resources obtained in different currencies are hedged as assets in the respective monetary market and for periods not exceeding those of the resources, which mean any exchange rate gaps result mainly from possible unadjustments between the hedge and resource deadlines.

Concerning risk information and analysis, regular reports are provided on the credit and market risks on the company's financial assets and those of the other members of CEMG. For the company's own portfolio, the various risk limits are defined using the Value-at-Risk («VaR») method. There are different exposure limits such as global «VaR» limits, by issuer, by asset type/class and rating. There are also limits of Stop Loss. Investment portfolio is mainly concentrated in bonds which as at the end of 2013 represented 83.63% of the total's portfolio.

CEMG continuously calculates its own portfolios «VaR», given a 10-day horizon and a 99% confidence interval, by the method of historical simulation.

The following table presents the mainly indicators of these measures, as at 31 December 2013 and 2012:

(thousand euros)

	2013				2012			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate GAP	(556 462)	(538 159)	(519 855)	(556 462)	(181 142)	(171 210)	(161 278)	(181 142)

Following the recommendations of Basel II (Pillar II) and Instruction no. 19/2005, of Bank of Portugal, CEMG calculates its exposure to interest rate risk based on the methodology of CEMG of International Settlements («BIS») which requires the classification of non-trading balances and off balance positions by repricing intervals.

(thousand euros)

	Within 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
31 December 2013					
Assets	10 544 185	4 467 173	439 863	1 724 886	2 275 156
Off balance sheet	9 173 090	153 649	844 643	299 448	–
Total	19 717 275	4 620 822	1 284 506	2 024 334	2 275 156
Liabilities	8 304 429	1 692 245	2 372 290	7 776 637	–
Off balance sheet	9 216 635	182 510	535 820	270 947	–
Total	17 521 064	1 874 755	2 908 110	8 047 584	–
GAP (Assets – Liabilities)	2 196 211	2 746 067	(1 623 604)	(6 023 250)	2 275 156
31 December 2012					
Assets	10 969 211	4 545 111	418 226	1 670 910	757 794
Off balance sheet	10 125 897	241 898	254 121	1 812 610	–
Total	21 095 108	4 787 009	672 347	3 483 520	757 794
Liabilities	6 938 473	1 970 806	2 059 101	7 364 850	209 155
Off balance sheet	10 590 374	496 402	2 400	1 345 360	–
Total	17 528 847	2 467 208	2 061 501	8 710 210	209 155
GAP (Assets – Liabilities)	3 566 261	2 319 801	(1 389 154)	(5 226 690)	548 639

Sensibility analysis

As at December 2013, based on the interest rate gaps observed, an instantaneous positive variation in the interest rates by 100 bp would cause an increase in the income statement in Euro 27 868 thousands (2012: Euro 39 467 thousands).

The following table presents the average interests, in relation to CEMG major assets and liabilities categories for the years ended 31 December 2013 and 2012, as well as the average balances and the income and expense for the year:

(thousand euros)

	2013			2012		
Products	**Average balance for the year**	**Average interest rate (%)**	**Income/ Expense**	**Average balance for the year**	**Average interest rate (%)**	**Income/ Expenses**
Assets						
Loans and advances to customers	15 657 077	3.62	566 968	16 321 809	4.33	707 339
Deposits	102 263	0.51	522	102 233	0.91	929
Securities portfolio	6 766 101	2.43	164 197	7 888 323	2.61	205 722
Inter-bank loans and advance	246 639	0.28	694	354 649	0.77	2 721
Swaps	–	–	116 499	–	–	236 561
Total Assets	22 772 080		848 880	24 667 014		1 153 272
Liabilities						
Deposits from customers	12 909 123	2.57	331 882	13 160 896	3.38	444 251
Securities deposits	6 783 751	2.62	177 981	8 118 810	2.59	210 293
Interbank deposits	2 819 931	0.87	24 454	2 695 262	1.05	28 169
Other liabilities	157	–	–	273	0.47	1
Swaps	–	–	108 453	–	–	213 100
Total liabilities	22 512 962		642 770	23 975 241		895 814

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2013 is analysed as follows:

(thousand euros)

	2013							
	Euro	United States Dollar	Sterling Pound	Canadian Dollar	Suisse Franc	Japanese Yen	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	229 176	8 715	1 114	284	1 960	180	943	242 372
Loans and advances to credit institutions repayable	76 935	6 565	179	197	337	27	338	84 578
Loans and advances to credit institutions	276 680	14 964	–	–	–	–	–	291 644
Loans and advances to customers	15 109 256	29 920	–	–	795	–	(2)	15 139 969
Financial assets held for trading	60 002	2 529	–	–	–	–	–	62 531
Other financial assets at fair value trough profit or loss	3 450	–	–	–	–	–	–	3 450
Available-for-sale financial assets	8 938 315	2 937	31	19	793	–	192	8 942 287
Hedging derivatives	503	–	–	–	–	–	–	503
Held-to-maturity investments	17 227	–	–	–	–	–	–	17 227
Investments in associated companies and others	418 547	–	–	–	–	–	–	418 547
Non-current assets held for sale	663 231	–	–	–	–	–	–	663 231
Property and equipment	44 316	–	–	–	–	–	–	44 316
Intangible assets	112 240	–	–	–	–	–	–	112 240
Current tax assets	10	–	–	–	–	–	–	10
Deferred tax assets	313 702	–	–	–	–	–	–	313 702
Other assets	(57 322)	133 652	11 905	37 150	863	–	4 081	130 329
Total Assets	26 206 268	199 282	13 229	37 650	4 748	207	5 552	26 466 936
Liabilities by currency								
Deposits from central banks	3 427 354	–	–	–	–	–	–	3 427 354
Deposits from other credit institutions	971 510	90 909	6 616	31 318	606	–	6	1 100 965
Deposits from customers	13 509 789	92 442	5 175	5 936	2 443	10	4 392	13 620 187
Debt securities issued	2 165 822	196	–	–	–	–	–	2 166 018
Financial liabilities associated to transferred assets	3 444 852	–	–	–	–	–	–	3 444 852
Financial liabilities held for trading	61 673	569	–	–	–	–	–	62 242
Hedging derivatives	1 849	–	–	–	–	–	–	1 849
Provisions	115 911	–	–	–	–	–	–	115 911
Current tax liabilities	1 353	–	–	–	–	–	–	1 353
Other subordinated debt	386 378	–	–	–	–	–	–	386 378
Other liabilities	420 074	15 020	1 436	396	1 542	197	1 156	439 821
Total Liabilities	24 506 565	199 136	13 227	37 650	4 591	207	5 554	24 766 930
Net asset/liability by currency	1 699 703	146	2	–	157	–	(2)	1 700 006

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2012 is analysed as follows:

(thousand euros)

	2012							
	Euro	United States Dollar	Sterling Pound	Canadian Dollar	Suisse Franc	Japanese Yen	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	237 833	7 182	531	395	1 289	46	311	247 587
Loans and advances to credit institutions repayable	53 004	2 599	514	340	501	32	380	57 370
Loans and advances to credit institutions	250 654	104	–	–	–	–	–	250 758
Loans and advances to customers	15 020 454	11 352	–	2	171	–	(2)	15 031 977
Financial assets held for trading	128 774	3 757	326	–	–	–	–	132 857
Other financial assets at fair value trough profit or loss	12 300	–	–	–	–	–	–	12 300
Available-for-sale financial assets	6 706 441	23 344	32	48	637	–	–	6 730 502
Hedging derivatives	931	–	–	–	–	–	–	931
Held-to-maturity investments	17 222	–	–	–	–	–	–	17 222
Investments in associated companies and others	390 547	–	–	–	–	–	–	390 547
Non-current assets held for sale	472 877	–	–	–	–	–	–	472 877
Property and equipment	55 651	–	–	–	–	–	–	55 651
Intangible assets	108 872	–	–	–	–	–	–	108 872
Current tax assets	10	–	–	–	–	–	–	10
Deferred tax assets	243 313	–	–	–	–	–	–	243 313
Other assets	104 125	176 884	18 109	73 987	2 952	–	28	376 085
Total Assets	23 803 008	225 222	19 512	74 772	5 550	78	717	24 128 859
Liabilities by currency								
Deposits from central banks	1 776 514	–	–	–	–	–	–	1 776 514
Deposits from other credit institutions	1 011 307	75 871	5 006	31 964	871	–	55	1 125 074
Deposits from customers	12 605 004	54 290	4 293	5 802	2 757	–	3 757	12 675 903
Debt securities issued	2 188 099	–	–	–	–	–	–	2 188 099
Financial liabilities associated to transferred assets	3 743 731	–	–	–	–	–	–	3 743 731
Financial liabilities held for trading	84 454	354	–	–	–	–	–	84 808
Hedging derivatives	3 177	–	–	–	–	–	–	3 177
Provisions	110 199	–	–	–	–	–	–	110 199
Current tax liabilities	1 239	–	–	–	–	–	–	1 239
Other subordinated debt	479 667	–	–	–	–	–	–	479 667
Other liabilities	183 622	94 923	10 211	37 009	1 828	78	4 305	331 976
Total Liabilities	22 187 013	225 438	19 510	74 775	5 456	78	8 117	22 520 387
Net asset/liability by currency	1 615 995	(216)	2	(3)	94	–	(7 400)	1 608 472

Liquidity risk

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. Liquidity risk is monitored carefully, and prepared several reports for the purpose of prudential regulation and monitoring in place of ALCO Committee.

In addition, it is also carried out a follow-up of liquidity positions of a prudential point of view, calculated in the manner required by the Bank of Portugal (Instruction no. 13/2009).

CEMG holds a pool of eligible assets that can serve as collateral in funding operations with European Central Bank, as at 31 December 2013 amounts to Euro 5 783 695 thousands (2012: Euro 3 139 482 thousands).

Operational risk

CEMG has implanted an Integrated Continuing Business Plan, which allows to ensure the continuity of the operations in a case of a rupture in the activity. This system is held by an organizational structure, included in the DRI and exclusively dedicated to this assignment, delegates designated by each department.

Capital management and Solvency Ratio

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

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

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

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

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

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

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

In 2011, CEMG adapted the accounting policy of Pension Fund to the changes in International Accounting Standards. Previously, it was used to rule the designated corridor rule and in December 2011 came to recognize that the whole of actuarial reserves. Despite this change to accounting, in regulatory terms there were no changes since the Instruction no. 2/2012 2012 (and subsequent inclusion in the update of Regulation no. 6/2010) sets prudential treatment for this new accounting procedure, similar to that designated by rule of the corridor.

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

The capital adequacy of CEMG as at 31 December 2013 and 2012 is presented as follows:

(thousand euros)

	Dec 2013	Dec 2012
Basic own funds Core Tier 1		
Paid-up capital	1 700 000	1 295 000
Net profit, General reserves, Special reserves	220 967	294 548
Other regulatory adjustments	(407 149)	(235 473)
	1 513 818	1 354 075
Basic own funds		
Other equity instruments	8 273	15 000
Deduction to basic own funds	(200 220)	(195 245)
	1 321 871	1 173 830
Complementary own funds		
Upper Tier 2	125 736	92 990
Lower Tier 2	318 784	440 316
Deductions to complementary own funds	(200 220)	(195 245)
	244 300	338 061
Deductions to total own funds	(11 986)	(9 262)
Total owned funds	1 554 185	1 502 629
Own funds requirements		
Credit risk	975 088	924 399
Market risk	3 964	4 591
Operational risk	56 486	59 463
	1 035 538	988 453
Prudential Ratio		
Ratio core Tier 1	11.69%	10.96%
Ratio Tier 1	10.21%	9.50%
Solvency ratio	12.01%	12.16%

53. Accounting standards recently issued

Recently Issued pronouncements already adopted by CEMG in the preparation of the financial Statements are the following:

- **IAS 19 Revised – *Employee Benefits***

  The IASB, issued on 16th June 2011, amendments to «IAS 19 – Employee Benefits», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation no. 475/2012, 5th June.

  As a result of IAS 19 (2011), CEMG has changed its accounting policy with respect to the basis for determining the income or expense related to its defined benefit plans. Under IAS 19 (2011), CEMG determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

  Consequently, the net interest on the net defined benefit liability (asset) now comprises: (*i*) interest cost on the defined benefit obligation; (*ii*) interest income on plan assets; and (*iii*) interest on the effect on the asset ceiling.

  The changes did not have any impact on CEMG's financial statements.

- **Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 – P*resentation of Financial Statements***

  The IASB, issued on 16th June 2011, amendments to «IAS 1 – Presentation of Financial Statements», effective (with retrospective application) for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation no. 475/2012, 5th June.

  As a result of the amendments to IAS 1, CEMG has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

- **IFRS 7 (Amended) – *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities***

  The IASB, issued on 16th December 2011, amendments to «IFRS 7 – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation no. 1256/2012, 11th December.

  CEMG did not have any impact from the adoption of the changes.

- **Improvements to IFRS (2009-2011)**

  The annual improvements cycle 2009-2011, issued by IASB on 17th May 2012, and endorsed by EU Commission Regulation no. 301/2013, 27th March, introduce amendments, with effective date for annual periods beginning on, or after, 1st January 2013, to the standards IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34 and IFRIC 2.

  IAS 1 – *Presentation of Financial Statements*

  This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the information disclosed in the previous period.

  IAS 16 – *Property Plant and Equipment*

  This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

  IAS 32 – *Financial Instruments*, *Presentation and IFRIC 2*

  The improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes, avoiding any interpretation that may mean any other application.

IAS 34 – *Interim Financial Reporting*

The amendments align the disclosure requirement for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures in relation to the changes of profit and loss account and other comprehensive income.

CEMG had no impact from the adoption of the improvements 2009-2011, taking into consideration the accounting policies already adopted.

- **IFRS 13 – *Fair Value Measurement***

  The IASB, issued on 12th May 2011, «IFRS 13 – Fair value Measurement», effective (with prospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation no. 1255/2012, 11th December.

  In accordance with the transitional provisions of IFRS 13, CEMG has applied the new definition of fair value, as set out in note 1*a*), prospectively. The change had no significant impact on the measurements of CEMG's assets and liabilities, but CEMG has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that these disclosures were required by other standards before the effective date of IFRS 13, CEMG has provided the relevant comparative disclosures under those standards.

- **IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine***

  The International Financial Reporting Interpretations Committee (IFRIC), issued on 19th October 2011, «IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation no. 1255/2012, 11th December.

  Given the nature of CEMG´s operation, this interpretation did not have any impact on the financial statements.

CEMG decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective:

- **IAS 32 (Amended) – *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities***

  The IASB, issued on 16th December 2011, amendments to «IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities», effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation no. 1256/2012, 11th December.

  The IASB amended IAS 32 to add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the phrase «currently has a legal enforceable right of set-off» means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.

  The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

  CEMG is not expecting a significant impact form the adoption of the amendment to IAS 32, taking into consideration the accounting policy already adopted.

- **IAS 27 (Revised) – *Separate Financial Statements***

  The IASB, issued on 12th May 2011, amendments to «IAS 27 – Separate Financial Statements», effective (with prospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation no. 1254/2012, 11th December.

  Taking in consideration that IFRS 10 addresses the principles of control and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements.

  The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent. The previous version required the disclosure of the country of incorporation or residence of such entities.

On the other hand, it was aligned the effective dates for all consolidated standards (IFRS10, IFRS11, IFRS12, IFRS13 and amendments to IAS 28).

CEMG expects no impact from the adoption of this amendment on its financial statements.

- **IFRS 10 – *Consolidated Financial Statements***

The IASB, issued on 12th May 2011, «IFRS 10 Consolidated Financial Statements», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

IFRS 10, withdraw part of IAS 27 and SIC 12, and introduces a single control model to determine whether an investee should be consolidated.

The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between the two. An investment controls an investee when it is exposed, or has rights, to variability returns from its involvement with the investee and is able to affect those returns through its power over the investee (facto control).

The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should be done at each reporting period because the relation between power and exposure variability in returns may change over the time.

Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as silo).

The new standard also introduce other changes such as: *i*) accounting requirements for subsidiaries in consolidation financial statements are carried forward from IAS 27 to this new standards and *ii*) enhanced disclosures are requires, including specific disclosures for consolidated and unconsolidated structured entities.

Nevertheless, CEMG does not expect any significant impact on the application of this standard on its financial statements.

- **IFRS 11 – *Joint Arrangements***

The IASB, issued on 12th May 2011, «IFRS 11 Joint arrangements», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation no. 1254/2012, 11th December that allows a delayed on mandatory application for 1st January 2014.

IFRS 11 withdraw IAS 31 and SIC 13, defines «joint control» by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a «join arrangement» to determine the nature of the joint arrangement («joint operations» or «joint ventures») by assessing its rights and obligations.

IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of «joint venture» must be account for using the equity method (IAS 28).

CEMG is assessing the impact of the introduction of this standard, however CEMG does not expects a significant impact.

- **IAS 28 (Revised) – *Investments in Associates and Joint Ventures***

The IASB, issued on 12th May 2011, «IAS 28 Investments in Associates and Joint Ventures», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. This amendment was endorsed by EU Commission Regulation no. 1254/2012, 11th December that allows a delayed on mandatory application for 1st January 2014.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 Investments in Associates and Joint ventures, and describes the application of the equity method to investments in joint ventures and associates.

CEMG expects no significant impact from the adoption of this amendment on its financial statements.

- **IFRS 12 – *Disclosures of Interest in Other Entities***

The IASB, issued on 12th May 2011, «IFRS 12 Disclosures of Interests in Other Entities», effective (with retrospective application) for annual periods beginning on or after 1st January 2013. This amendment was endorsed by EU Commission Regulation no. 1254/2012, 11th December that allows a delayed on mandatory application for 1st January 2014.

The objective of this new standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (*a*) the nature of, and risks associated with, its interests in other entities; and (*b*) the effects of those interests on its financial position, financial performance and cash flows.

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

CEMG is still assessing the full impact of the new IFRS 12 in align with IFRS 10 and IFRS 11.

- ***Investment Entities* – Amendments to IFRS 10, IFRS 12 and IAS 27 (issued by IASB on 31st October 2012)**

  The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term «investment entity» to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

  The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

  The amendments are effective from 1 January 2014 with early adoption permitted. This option allows investment entities to apply the new amendments of IFRS 10 after 1st January, 2013. This standard was adopted by the European Commission Regulation no. 1374/2013, of 20th November.

  CEMG expects no impact from the adoption of this amendment on its financial statements.

- **IAS 36 (Revised) – *Recoverable Amount Disclosures for Non-Financial Assets***

  The IASB, issued on 29th May 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation no. 1374/2013, 19th December.

  The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

- **IAS 39 (Revised) – *Financial instruments: Novation of Derivatives and Continuation of Hedge Accounting***

  The IASB, issued on 27th June 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation no. 1375/2013, 19th December.

  The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted.

Recently Issued pronouncements that are not yet effective for CEMG

- **IAS 19 (Revised) – *Defined Benefit Plans: Employee Contributions***

  The IASB, issued on 21th November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st July 2014.

  The Amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

  The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

- **IFRIC 21 – *Levies***

  The IASB, issued on 20th May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1st January 2014.

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have any effect on CEMG's financial statements.

- **Improvements to IFRS (2010-2012)**

The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38.

IFRS 2 – *Definition of vesting condition*

The amendment clarify the definition of »vesting conditions» in Appendix A of IFRS 2 Share-based Payment by separate the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

IFRS 3 – *Accounting for contingent consideration in a business combination*

The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely: classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – *Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets*

The amendment clarify the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

IFRS 13 – *Short-term receivables and payables*

IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39AG79, in applying IFRS 3, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

IAS 16 and IAS 40 – *Revaluation method – proportionate restatement accumulated depreciation or amortization*

In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 40 to clarify that: (*i*) the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and (*ii*) the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

IAS 24 – *Related Party Transactions – Key management personal services*

In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

- **Improvements to IFRS (2011-2013)**

The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40.

IFRS 1 – *Meaning of «effective IFRS»*

IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

IFRS 3 – *Scope exceptions for joint ventures*

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – *Scope of paragraph 52 – portfolio exception*

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis.

This is referred to as the portfolio exception. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

IAS 40 – *Interrelationship with IFRS 3 when classify property as investment property or owner-occupied property*

The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

- **IFRS 9 – *Financial instruments* (issued in 2009 and revised in 2010 and 2013)**

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. The IASB currently has an active project of additional disclosures requirements limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI. No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised.

CEMG has started the process of evaluating the potential effect of this standard but is waiting for the finalisation of the limited amendments before the evaluation can be completed. Given the nature of CEMG's operations, this standard is expected to have a pervasive impact on CEMG's financial statements.

54. Sovereign debt of European Union countries subject to bailout

As at 31 December 2013, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(thousand euros)

	2013						
Issuer/portfolio	Book value	Fair value	Fair value reserves	Impairment	Average maturity rate	Average maturity years	Fair value measurement levels
Portugal							
Financial assets held for trading	3 053 123	233 053 123	33 404	–	4.67	5.48	1
Held to maturity financial assets	6 149	6 298	–	–	3.35	1.79	n.a.
	3 059 272	233 059 421	33 404	–			
Greece (*)							
Financial assets held for trading	10 066	10 066	123	(8 415)	1.26	24.16	1
	3 069 338	233 069 487	33 527	(8 415)			

(*) The item includes 6 796 thousand euros relating to Greek sovereign debt resulting from exchange transactions, which remains in the portfolio.

As at 31 December 2012, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(thousand euros)

	2012						
Issuer/portfolio	Book value	Fair value	Fair value reserves	Impairment	Average maturity rate	Average maturity years	Fair value measurement levels
Portugal							
Financial assets held for trading	1 115 857	1 115 857	9 036	–	3,40	2,05	1
Held to maturity financial assets	6 185	6 246	–	–	3,38	2,76	n.a.
	1 122 042	1 122 103	9 036	–			
Greece (*)							
Financial assets held for trading	7 102	7 102	71	(11 257)	1,26	25,16	1
	1 129 144	1 129 205	9 107	(11 257)			

(*) The item includes 6 796 thousand euros relating to Greek sovereign debt resulting from exchange transactions, which remains in the portfolio.

For the public debt of Portugal and Greece do not have occurred in the year ended December 31 2013 and 2012, no reclassifications between portfolios.

The evolution of the European Union sovereign debt crisis and specifically the economic and political environment in Greece, which contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the international markets, which implied that the short term solvency of the country is dependent on the continuous support by EU and IMF.

Impairment was determined considering the terms of the agreement established between the Greek state and the private sector («PSI»), related to the restructuring of the Greek sovereign debt («GGBs»). For the purposes of determining impairment, CEMG considered the terms and conditions of the PSI and also paragraph AG 84 of IAS 39 that considers reasonable that, for the portfolio of assets held to maturity when, for practical reasons, there are relevant uncertainties regarding the estimate of future cash-flows, impairment can be determined based on observable market prices.

Considering the available information regarding the bonds' characteristics, the fair value corresponded, as at 31 December 2011, to approximately 23% of the book value of the portfolio. Following of the restructuring of the Greek sovereign debt in the second quarter of 2012, the impairment was charged off. The exchange offer occurred in 12 March 2012.

55. Transfers of assets

CEMG performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The financial assets sold under these transactions are derecognized from the balance sheet of CEMG, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of CEMGs holds more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from CEMGs and that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities:

– determine the objective of the Fund;

– manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which CEMG holds minority positions) establish companies under the Portuguese law in order to acquire the loans to CEMGs, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds fully subscribed by the funds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the sale value.

These junior bonds, when subscribed by CEMG, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus it related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions, CEMG subscribed:

– Participation units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where CEMG has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end;

– Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, CEMG, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, CEMG performed the derecognition of the assets transferred under the scope of IAS 39.20 c (*i*) and the recognition of the assets received as follows:

(thousand euros)

	Dec 2013			Dec 2012		
	Values associated with the transfer of assets			Values associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Vallis Construction Sector Fund	18 794	20 889	2 095	14 028	15 791	1 763
Fundo de Reestruturação Empresarial, FCR	4 298	4 371	73	–	–	–
	23 092	25 260	2 168	14 028	15 791	1 763

(thousand euros)

	Dec 2013				
	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Vallis Construction Sector Fund	15 619	6 153	21 772	(6 153)	15 619
Fundo de Reestruturação Empresarial, FCR	5 021	–	5 021	–	5 021
	20 640	6 153	26 793	(6 153)	20 640

(thousand euros)

	Dec 2012				
	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Vallis Construction Sector Fund	14 144	4 874	19 018	(4 874)	14 144

The net assets disposed amounted to Euro 23 092 thousands (2012: Euro 14 028 thousands), according to note 21.

The junior securities refer to investment units on the amount of Euro 6 153 thousands (2012: Euro 4 874 thousands), as referred in note 24.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for, in accordance with note 15.

Although the junior bonds are fully provided, CEMG still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

56. Subsequent events

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

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
Edifício Monumental
Av. Praia da Vitória, 71 – A, 11º
1069-006 Lisboa
Portugal

Telephone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTRED AUDITOR)

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

Introduction

1. In accordance with the applicable legislation, we present our Audit Report, on the financial information included in the Annual Report of the Executive Board of Directors and in the accompanying financial statements as at and for the year ended 31 December, 2013 of **Caixa Económica Montepio Geral** which comprise the balance sheet as at 31 December, 2013 (showing total assets of 26,466,936 thousand Euro and total equity of 1,700,006 thousand Euro, including a net loss of 262,513 thousand Euro), the statement of income, the statement of cash flows, the statement of changes in equity and the statement of comprehensive income for the year then ended and the corresponding notes.

Responsibilities

2. The Executive Board of Directors is responsible for:

a) the preparation of financial statements in accordance with the Adjusted Accounting Standards ("NCA's") issued by the Bank of Portugal, that present fairly, in all material respects, the financial position of CEMG, the results of its operations, the comprehensive income, the changes in equity and the cash flows;

b) that the historical information prepared in accordance with the NCA's that is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ('CVM');

c) the adoption of adequate accounting policies and criteria;

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

e) the communication of any relevant matter that may have influenced the activity of CEMG, its financial position or results.

3. Our responsibility is to verify the financial information included in the above referred documents, namely if the information is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent opinion based on our audit.

KPMG

Scope

4. We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly, our audit included:

   - the verification, on a sample basis, of the documents underlying the figures and disclosures contained therein, and an assessment of the estimates made, based on the judgments and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;

   - evaluating the appropriateness of the accounting principles used and of their disclosure, taking into account the applicable circumstances;

   - assessing the applicability of the going concern principle;

   - assessing of the appropriateness of the overall presentation of the financial statements; and

   - assessment of whether the financial information is complete, true, current, clear, objective and lawful.

5. Our audit also included the verification that the financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").

6. We believe that our audit provides a reasonable basis for our opinion.

Opinion

7. In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **Caixa Económica Montepio Geral**, as at 31 December, 2013, the results of its operations, the comprehensive income, the cash flows, and the changes in equity for the year then ended, in accordance with NCA's as defined by the Bank of Portugal and the information contained therein is complete, true, current, clear, objective and lawful.

Report on Other Legal Requirements

8. It is also our opinion that the financial information included in the Executive Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 7 April, 2014

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Jean-éric Gaign (ROC N.º 1013)

8.3. STATEMENT OF COMPLIANCE OF FINANCIAL INFORMATION ISSUED BY THE EXECUTIVE BOARD OF DIRECTORS

This statement has been issued under the terms of subparagraph *c*) of no. 1 of article 246 of the Securities Code (CVM).

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

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

- all the individual and consolidated financial information in the accounting documents, with reference to 31 December 2013;
- was prepared in accordance with the applicable accounting standards, and gives a true and appropriate image of the assets and liabilities, financial situation and net income of the Institution and companies included in the consolidation perimeter;
- the management report provides an accurate indication of the evolution of the business, performance and position of the Institution and companies included in the consolidation perimeter, in conformity with the legal requirements.

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

António Tomás Correia – Chairman

Jorge Humberto Barros Luís

Pedro Miguel de Almeida Alves Ribeiro

Fernando Paulo Pereira Magalhães

8.4. COMPLIANCE WITH THE RECOMMENDATIONS OF THE FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING SUPERVISORS (CEBS), REGARDING TRANSPARENCY OF INFORMATION AND ASSET VALUATION (BANK OF PORTUGAL CIRCULAR LETTER NO. 58/2009/DSB)

Bank of Portugal Circular Letter no. 58/2009/DSB establishes the need for institutions to continue to comply appropriately with the recommendations of the FSF and CEBS, relative to transparency of information and valuation of assets, taking into account the principle of proportionality.

Some of the recommendations have already been addressed in this Annual Report or in the Explanatory Notes to the Financial Statements, hence, when this is the case, reference will be made to such documents.

I. BUSINESS MODEL

1. Description of the business model

Points 3.1 and 3.3 of this Annual Report present a description of the business model and evolution of the activities and business.

2. Description of strategies and objectives

Point 3.1 of the Annual Report presents the Strategic Guidelines for 2014, with a view to achieving the strategic goals of capacity-building to preserve its competitiveness, enable the creation of value and ensure its harmonious and sustainable development.

3., 4. and 5. Activities developed and contribution to the business

Points 3.3 and 4 of the Annual Report provide a description of the development of the activities and their contribution to the business. The Notes to the Financial Statements relative to Segmental Reporting also present the contribution of each activity.

II. RISKS AND RISK MANAGEMENT

6. and 7. Description and nature of risks and management practices

Point 5 and the Notes to the Financial Statements present a description and quantification of the different risks incurred, as well as the monitoring, recovery and control practices adopted to mitigate them.

III. IMPACT OF THE PERIOD OF FINANCIAL TURBULENCE ON NET INCOME

8., 9., 10. and 11. Qualitative and quantitative description of net income, emphasising losses and impact of write-downs, and breakdown of write-downs

Points 4 and 5 of the Annual Report address the issue of impairments related to the evolution of the financial markets.

Point 4 and, in the context of the analysis of Net Income, Provisions and Impairments, also notes the value of impairment of the portfolio of securities.

The Notes to the Financial Statements also refer to the impact of impairments.

12. and 13. Breakdown of write-downs between realised and unrealised amounts and impact on the share prices of the entity

Not applicable.

14. Disclosure of the risk of maximum loss associated to the prolonging of the financial turbulence

Point 5 of the Annual Report refers to these issues in an overall form.

15. Disclosure of the impact that the evolution of the spreads associated to the institution's own liabilities had on net income

The Notes to the Financial Statements present sufficient information in view of the intended scope.

IV. EXPOSURE LEVELS AND TYPES DUE TO THE PERIOD OF TURBULENCE

16. Nominal amount (or amortised cost) and fair values of outstanding exposures

The Notes to the Financial Statements present the values broken down by notional, carrying value and fair value.

17. Information on mitigation of credit risk (e.g. through credit default swaps) and the respective effect on existing exposure

The Notes to the Financial Statements present information on credit risk mitigators relative to assets and liabilities at fair value through profit or loss.

18. Detailed disclosure on exposures

It is considered that the information presented in points 4 and 5 of the Annual Report fully address this issue.

19. Movements occurred in exposures between relevant reporting periods and the underlying reasons for these variations (sales, purchases, write-downs, etc.)

The information contained in the Notes to the Financial Statements covers this matter.

20. Explanation of exposure (including «vehicles» and, in this case, the respective activities) that have not been consolidated (or that have not been recognised during the crisis) and the associated reasons

In Point 4 and the Notes to the Financial Statements, the point relative to «Securitisation of assets» presents a detailed description on the different securitisation operations carried out and their respective «vehicles», that is, Special Purpose Vehicles (SPV).

21. Exposure to monoline insurers and quality of the insured assets

Not applicable.

V. ACCOUNTING POLICIES AND VALUATION METHODS

22., 23., 24. and 25. Classification of transactions and structured products for accounting purposes, consolidation of Special Purpose Vehicles (SPV), detailed disclosure of the fair value of financial instruments and description of the modelling techniques used to measure the value of financial instruments

The Notes to the Financial Statements include detailed information on these issues.

VI. OTHER RELEVANT ASPECTS IN DISCLOSURE

26. Description of the disclosure policies and principles used in the reporting of disclosures and in financial reporting

One of the objectives of the internal control system of the CEMG Group is to ensure compliance with the prudential standards in force, the reliability of information and the reporting periods to the different external entities.

The CEMG Group has progressively pursued the practice of concentrating the responsibility for the reporting of information to external entities in its bodies specialised in the respective matters, taking into account their duties and activities and using for this effect, whenever possible, technologically evolved supporting tools, in order to minimise errors and omissions and ensure high levels of reliability and promptness of the information.

9. Opinion of the General and Supervisory Board

CAIXA ECONÓMICA MONTEPIO GERAL

OPINION OF THE GENERAL AND SUPERVISORY BOARD ON THE MANAGEMENT REPORT AND INDIVIDUAL AND CONSOLIDATED ACCOUNTS RELATIVE TO THE FINANCIAL YEAR OF 2013

Under the terms of the law and article 20 of the Articles of Association of Caixa Económica Montepio Geral (CEMG), the General and Supervisory Board is responsible for issuing an opinion on the management report and the individual and consolidated accounts of 2013, prepared by the Executive Board of Directors.

In preparing its opinion and having heard the EBD of CEMG, the GSB analysed and discussed the favourable opinion isSued by the Audit Committee, which and within the scope of the closure of the accounts:

a. assessed the work carried out by the Statutory Auditor and External Auditor, KPMG & Associados — Sociedade de Revisores Oficiais de Contas S.A., namely with respect to: i) Balance Sheets; ii) Income Statements; iii) Cash Flows; iv) Changes in Net Worth and Comprehensive Income for the financial year of 2013 and v) the corresponding Explanatory Notes;

b. met with the Statutory Auditor and External Auditor, requesting all the relevant information for the performance of their duties, namely, the required verification regarding compliance with the legal requirements in force and with the recommendations of Banco de Portugal;

c. examined the Legal Certification of Accounts and Audit Reports on the individual and consolidated financial statements relative to the financial year of 2013, both issued without reservations or emphases, dated 7 April 2014.

2. As a result of the work undertaken and, as far as it is aware, the GSB considered that the financial information analysed was prepared in conformity with the applicable accounting rules, enables an adequate understanding of the net assets of CEMG and of its subsidiaries included in the consolidation on 31

December 2013, and of the method used to determine the consolidated net income for the year.

3. Taking into consideration the work undertaken, the General and Supervisory Board agrees with the content of the Legal Certification of Accounts issued by KPMG & Associados - - Sociedade de Revisores Oficiais de Contas, SA, and agrees with the Management Report and the Individual and Consolidated Financial Statements of Caixa Económica Montepio Geral, with reference to 31 December 2013.

4. In view of the above, the General and Supervisory Board gives its assent to the approval by the General Meeting of Caixa Económica Montepio Geral, of:

   a) The management report and the rest of the individual and consolidated financial documents, relative to the financial year ended on 31 December 2013.

   b) It is proposed by the Executive Board of Directors that the negative net income, in the amount of 262,513 thousand euros, determined on an individual basis relative to the financial year of 2013, be transferred to Retained Earnings.

Lisbon. 14 April 2014

Montepio

10. Institutional Governance Report

INTRODUCTION

Caixa Económica Montepio Geral (hereinafter referred to as «CEMG»), in addition to its organisational capacity resulting from over a century of experience, is required to adopt a set of rules and principles covering both management, with special relevance to prudence, competition, transparency and advertising, and professional ethics.

The Executive Board of Directors thus submits to the appreciation of the General Meeting and of the market the «Report on the Institutional Governance of CEMG» relative to 2013, drawn up not only in compliance with its duty of information and transparency, but also in conformity with the legal and regulatory rules in force and in accordance with its legal nature, in line with the «comply or explain» philosophy and statutory compliance.

This governance report is prepared in accordance with the structure laid down in CMVM Regulation No. 4/2013 which came into force on 1 January 2014, according to which the corporate governance report, with reference to the financial year of 2013, must already comply with, as well as with a new version of the Corporate Governance Code of the CMVM which makes amendments to the version in force since 2010 («Corporate Governance Code of 2013»).

In relation to CEMG, it is important to point out that, on 14 January 2013, the new articles of association, which led to a substantial change of its corporate governance model, namely the separation of the corporate governance bodies of CEMG from the bodies of Montepio Geral – Associação Mutualista, entered into force.

PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. Capital structure

In accordance with the statutory requirements, «the institutional capital is permanent, not enforceable and does not give rise to the payment of interest or dividends» (article 7, no. 1).

Likewise, «the institutional capital is set up both through the deposit of values by Montepio Geral for that purpose and which form part of the assets of Caixa Económica, and through the incorporation of reserves of Caixa Económica» (article 7, no. 2).

Since 13 November 2013, the institutional capital of CEMG stands at 1 500 000 000 euros, fully paid up in the form of cash subscription, by financial allocation of Montepio Geral – Associação Mutualista.

2. Restrictions on the transfer of shares

Caixa Económica Montepio Geral is not legally a company. Its capital is not composed of shares. It is not an entity that sets up its institutional capital through recourse to the market. As such, it is not applicable.

3. Own Shares

Not applicable.

4. Significant agreements with change of control clauses

Not applicable.

5. A system that is subject to the renewal or withdrawal of countermeasures

Not applicable.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights

CEMG is not a company. There are, therefore, no shareholders' agreements.

II. SHAREHOLDINGS AND BONDS HELD

7. Qualifying Holdings

The institutional capital of CEMG is characterised as a capital endowment fund regarding which only Montepio Geral – Associação Mutualista has economic interests.

However, following the public offer and admission to trading on a regulated market of the Units representing the Participation Fund of CEMG, it became subject to a specific legal regime and is now identified as a «publicly traded company».

In this context, the list of holders of qualifying holdings, relative to the units representing the Participation Fund of CEMG, with reference to 31 December 2013, is the following:

Name	PUs	% of total amount of issued PUs
PAULO JORGE VERÍSSIMO GUILHERME	17 056 761	8.53
EURICO HELDER REIS SOUSA BRITO	10 834 076	5.42

8. Shares and Bonds held by members of the management and supervisory bodies

The members of the management body, made up of executive members, do not hold, similarly to members of the supervisory body, any qualifying holdings in the institutional capital or in the Participation Fund, given the nature of the Institution.

9. Special powers of the management body, especially as regards resolutions on share capital increases

The Executive Board of Directors, in accordance with the articles of association, is responsible for deliberating on the increase of the institutional capital of CEMG up to the amount of 1 500 million euros. Above that amount, the competence lies with the General Meeting, on a proposal from the Executive Board of Directors and following an opinion from the General and Supervisory Board.

In accordance with the Articles of Association and making use of this authorisation, the Executive Board of Directors increased the institutional capital in 2013 to its maximum level.

In accordance with the articles of association, deliberation on the issue of securities representing the Participation Fund up to the amount equivalent to the institutional capital comes under the competence of the Executive Board of Directors, upon advice from the General Meeting. On 25 November 2013, the first issue of 200 million Units, with the nominal value of 1 euro, representing the Participation Fund of Caixa Económica Montepio Geral, was undertaken.

10. Information on any significant business relationships between the holders of qualifying holdings and the company

The response has been undermined by what was said in the previous numbers.

B. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

A) COMPOSITION OF THE BOARD OF THE GENERAL MEETING

11. Details and position of the members of the Board of the General Meeting and respective term of office

As mentioned at the beginning of this report, in January 2013, the amendment to the articles of association of Caixa Económica Montepio Geral (CEMG) was undertaken, with significant changes to its corporate governance structure.

The CEMG bodies elected for the three-year period 2013-2015 are thus: the General Meeting; the Supervisory Board; the Executive Board of Directors; the Remuneration Committee and the Statutory Auditor.

The members of the Board of the General Meeting are:

BOARD OF THE GENERAL MEETING	
Chairman	Vitor José Melícias Lopes
1st Secretary	António Dias Sequeira
2nd Secretary	Maria Leonor Loureiro Gonçalves de Oliveira
Alternates	António Miguel Lino Gaio

In order to perform his duties, the Chairman of the Board of the General Meeting is provided with the necessary human and logistic resources, as well as the support of the Institution's Secretary and respective services.

B) EXERCISING THE RIGHT TO VOTE

12. Any restrictions on the right to vote

Voting rights are exercised in person, with each member having one vote.

13. Maximum percentage of voting rights that may be exercised by a single shareholder

Not applicable.

14. Details of shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority

In accordance with article 15, no. 2 of the Articles of Association of CEMG.

II. MANAGEMENT AND SUPERVISION

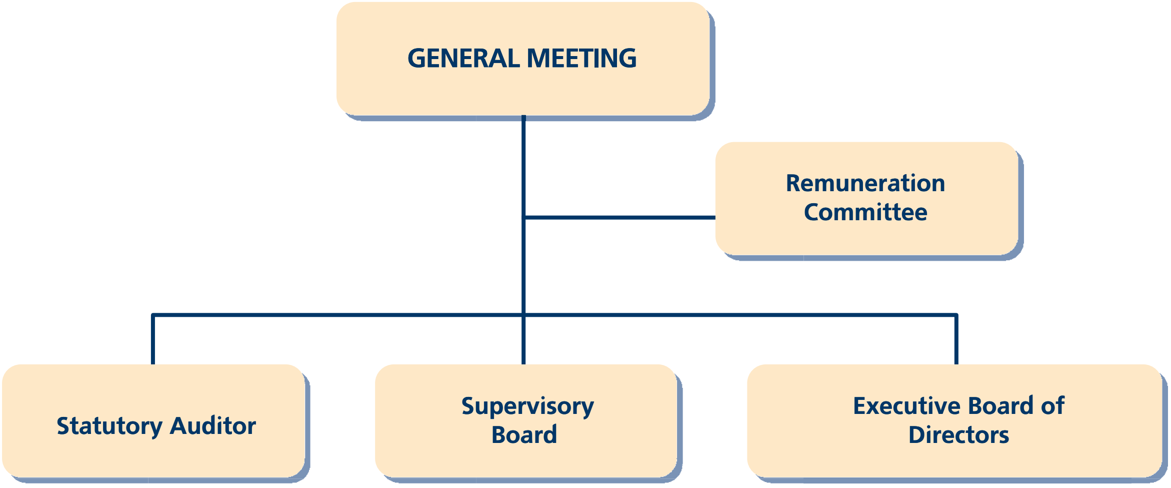
A) COMPOSITION

15. Details of corporate governance model adopted

The two-tier governance model of CEMG, in force since 2013, following the amendment to the articles of association, comprises of the following bodies:

- The General Meeting;
- The General and Supervisory Board;
- The Executive Board of Directors;
- The Remuneration Committee;
- The Statutory Auditor.

The governance model of CEMG may be presented in schematic terms as follows:



16. Articles of association rules on the procedural requirements and issues governing the appointment and replacement of members of the Executive Board of Directors and of the General and Supervisory Board

At the extraordinary General Meeting held on 19 February 2013, the Executive Board of Directors was elected for the three-year period 2013-2015. The following members of the General and Supervisory Board, which also make up this body, as part of their corresponding functions, are: The Chairman of the Board of the General Meeting, the members of the Board of Directors (with the exception of the Chairman for having been elected to the Executive Board of Directors) and of the Supervisory Board, all the members of Montepio Geral – Associação Mutualista and the first representatives of each of the lists elected for the General Council of Associação Mutualista.

According to the Articles of Association, the Executive Board of Directors functions as a body, being able to deliberate provided the majority of its members is present. The EBD's resolutions are adopted by a majority of the members present, and the Chairman has a casting vote. It may also establish proxies to represent CEMG in any acts and contracts, defining the extent of their powers.

Prior to taking up office, the members of the Executive Board of Directors must become associates of Associação Mutualista and the number of members of the EBD can be altered by a qualified majority of two thirds of the General Meeting. It is also important to note that the candidates to membership of this body who, in addition to having to comply with some prior requirements defined in the Articles of Association and in the General Regime of Credit Institutions and Financial Companies, are subject to prior assessment by Banco de Portugal, must declare, in the application for membership, that they will terminate any functions considered incompatible with the performance of their duties.

In relation to the General and Supervisory Board, its Chairman is elected from among its members, during its first session and, in his absence or when otherwise engaged, he may be temporarily substituted by a member he shall have designated, upon advice from the other members.

Finally, the members of the institutional bodies perform their duties for three-year periods, and may be elected for successive three-year terms, without prejudice to the legal limitations.

17. Composition of the General and Supervisory Board (GSB) and the Executive Board of Directors (EBD)

The General and Supervisory Board, as already mentioned, is composed of the Chairman of the Board of the General Meeting of Montepio Geral – Associação Mutualista, and members of the Board of Directors and of the Supervisory Board of Montepio Geral – Associação Mutualista, whose election to Associação Mutualista determines, as part of their correponding functions, the taking up of duties in the General and Supervisory Board of Caixa Económica. The GSB also includes, as part of their corresponding functions, the first representative of each of the lists elected for the General Council of Associação Mutualista, if any.

The members of this body are as follows:

GENERAL AND SUPERVISORY BOARD	
Chairman	José de Almeida Serra
Members	Vitor José Melícias Lopes
	Eduardo José da Silva Farinha
	Álvaro Cordeiro Dâmaso
	Carlos Vicente Morais Beato
	Álvaro João Duarte Pinto Correia
	Gabriel José dos Santos Fernandes
	Luísa Maria Xavier Machado
	Maria Manuela Silva
	António Gonçalves Ribeiro
	Eugénio Óscar Garcia Rosa

The EBD is composed of a Chairman and a maximum of four Voting Members.

The members of the Executive Board of Directors, elected for the 2013-2015 term, are the following:

EXECUTIVE BOARD OF DIRECTORS	
Chairman	António Tomás Correia
Voting Members	Jorge Humberto Barros Luís
	Pedro Miguel de Almeida Alves Ribeiro
	Fernando Paulo Pereira Magalhães

18. Distinction between executive and non-executive members and details of members that may be considered independent

All the members of the EBD are executive members.

19. Professional qualifications and other relevant curricular information of each member of the General and Supervisory Board and Executive Board of Directors

The curricula of each of the members referred to is presented in Annex I of this Report.

20. Customary and meaningful family, professional or business relationships of members of the General and Supervisory Board and Executive Board of Directors with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights

Not applicable.

21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate bodies, committees and/or departments within the company

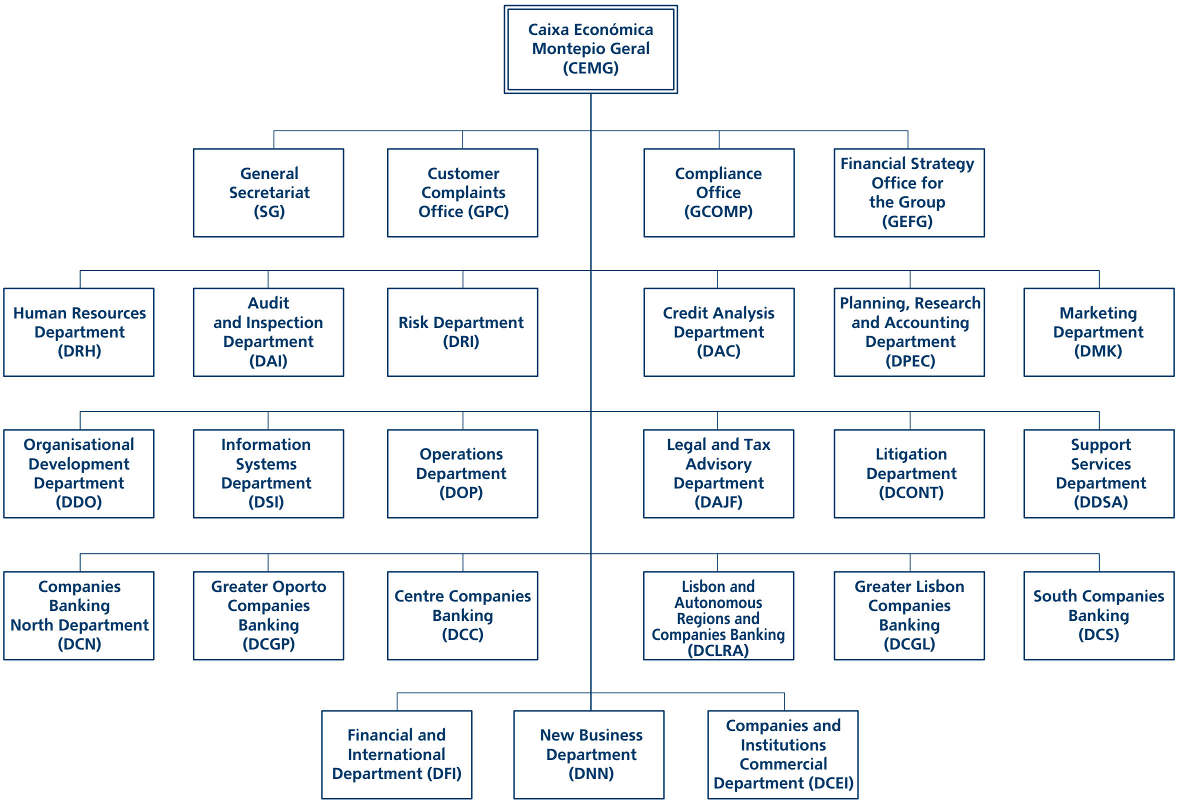
The Executive Board of Directors is the body responsible for the management of Caixa Económica Montepio Geral, and namely:

- annually preparing the report and accounts for the financial year and the proposed distribution of net income;
- preparing the proposed Strategic Guidelines to be submitted to the General Meeting, as well as the action programme and the budget for the following year;
- deliberate on the increase in institutional share capital and on the issue of securities representing units of the participation fund, within the limits set by the articles of association;
- deliberate on the opening and closing of branches and of any other form of representation;
- deliberating on the acquisition, disposals and encumbrance of immovable property;
- setting, in general terms, the interest rates, commissions and prices for banking operations and provision of services.

The organisational model and the allocation of functions and duties between the different organic units is the responsibility of the Executive Board of Directors, which defines the organisational structure model and the allocation of functions between the various organic units.

In turn, the organic units form first-line bodies, Departments, Offices and Divisions that report directly to the Executive Board of Directors.

Whenever necessary, adjustments are made to the organic structure, with the adaptations and improvements deemed essential.



In accordance with the organic structure, the responsibilities of the management body are distributed as follows:

António Tomás Correia

General Secretariat, Customer Complaints Office, Compliance Office, Group Financial Strategy Office, Human Resources Department, Audit and Inspection Department, Planning Department, Research and Accounting, Marketing Department, Legal and Tax Advisory Department, Litigation Department, Financial and International Department, New Business Department.

Jorge Humberto Barros Luís

Credit Analysis Department, Risk Department.

Pedro Miguel de Almeida Alves Ribeiro

Organisational Development Department, Development and Support Systems Department, Operations Department, Information Systems Department.

Fernando Paulo Pereira Magalhães

Centre Commercial Department, Greater Lisbon Commercial Department, Greater Porto Commercial Department, Companies and Institutions Commercial Department, Lisbon and Autonomous Regions Commercial Department, North Commercial Department, South Commercial Department.

In turn, each area of responsibility has alternate members. Whenever an organic reorganisation occurs, responsibilities are redistributed.

The General and Supervisory Board is responsible for, namely:

a) Playing an advisory role and ensuring the ongoing assessment of the Institution;

b) Analysing the financial reporting documents and the minutes of the meetings of the Executive Board of Directors;

c) Supervising the risk and financial reporting policies;

d) Monitoring the financial performance and the budget implementation;

e) Analysing and discussing the reports of the external auditors;

f) Controlling and ensuring the effectiveness of the internal audit function;

g) Issuing an opinion on the Report and Accounts for the financial year to be submitted for deliberation at the General Meeting;

h) Presenting the proposal of the Statutory Auditor for deliberation at the General Meeting;

i) Providing an opinion on the action plan and budget;

j) Controlling the non-conformities with the legal rules, Articles of Association and established policies.

The Chairman of the General and Supervisory Board represents this body, namely in the relations with other institutional bodies, such as with the statutory auditor and the external auditor, in addition to convening and presiding over the meetings and ensuring the correct execution of its decisions.

B) FUNCTIONING

22. Availability and place where the rules on the functioning of the General and Supervisory Board and the Executive Board of Directors may be consulted

In addition to the provisions applicable under the law, the articles of association and regulations, all the activities undertaken by the Institution also comply with the resolutions of the institutional bodies, internal rules, rules of conduct and ethical standards.

On the internal portal, Intranet, the Internal Standards, disclosed to all employees, contain an entire set of documents classified in accordance with objectives and corresponding contents, as well as a set of rules regarding professional and ethical uses. With reference to compliance with the prudential standards in force and the respective reporting periods for external entities, there are Internal Regulations with a view to ensuring compliance with the duty of information.

On the Institution's website www.montepio.org general information on the Institution can be consulted, including the regulations on the functioning of the General and Supervisory Board and of the Strategic Affairs Committees and the Financial Affairs Committee.

23. Number of meetings held and the attendance report for each member of the General and Supervisory Board and the Executive Board of Directors

The Articles of Association of CEMG establish that the General and Supervisory Board must hold meetings at least once a month and, in addition, in accordance with its internal regulations, any time a meeting is convened by the Chairman or a request for a meeting is made to the Chairman by any member for justified reasons.

During 2013, the General and Supervisory Board held meetings 11 times and the respective attendance was almost 100%.

The Executive Board of Directors, on the other hand, held meetings once a week over the course of 2013, with an attendance rate for each director of close to 100%.

24. Details of the bodies which are competent to carry out the performance assessment of the executive directors

Without prejudice to the powers of the General and Supervisory Board, the body that is competent to carry out the performance assessment of the executive directors is the General Meeting.

25. Pre-defined criteria for the assessment of the performance of the executive directors

The assessment of the performance of the management body, as well as the other members of the institutional bodies, is based on criteria compatible with the remuneration practice of CEMG, i.e., in line with the global strategy of the Institution approved by the General Meeting.

The pre-determined criteria which cover the remuneration policy of members of the institutional bodies are subject to approval, in their broad outlines, by the General Meeting and then implemented by the Remuneration Committee elected by that same body.

26. The availability of each member of the General and Supervisory Board and Executive Board of Directors, and details of the positions held at the same time in other companies within and outside the Group, and other relevant activities undertaken by members of these boards throughout the financial year

The positions held by the Executive Board of Directors in subsidiary companies are described in detail in Annex I of this Report.

C) COMMITTEES WITHIN THE MANAGEMENT OR SUPERVISORY BODY AND BOARD DELEGATES

27. Details of the committees created within the General and Supervisory Board and the Executive Board of Directors

The General and Supervisory Board, within the scope of its competencies, appointed from among its members the Financial Affairs Committee and the Strategic Affairs Committee.

Within the Executive Board of Directors, with a view to support this body in the strategic management process of the Institution, five Committees were created: ALCO (Assets and Liabilities Committee); Internal Control Committee; Risk Committee, Business Committee and Costs and Investments Committee.

28. Composition, if applicable, of the Executive Committee and/or details of the board delegates

Not applicable.

29. Description of the powers of each of the committees and a summary of activities undertaken in exercising said powers

As previously mentioned, there is the Audit Committee and the Strategic Matters Committee, which were designated at the meeting of the General and Supervisory Board on 25 July 2013.

The Financial Affairs Committee is responsible for, namely, and in accordance with its operating regulations, monitoring and assessing the internal procedures with reference to audit, internal control, risk control and accounting; monitoring the activity of the statutory auditor and the external auditor.

The Strategic Affairs Committee is responsible for, namely, and in accordance with its operating regulations, assessing the situation of CEMG within the sectorial context; assessing the annual and pluriannual plans; monitoring the application of regulatory measures and the analysis of the prudential ratios.

III. SUPERVISION

A) COMPOSITION

30. Details of the supervisory body representing the adopted model

According to the Institution's governance model, the General and Supervisory Board is the body responsible for the supervision, monitoring and counselling of the Institution's activity.

31. Composition of the General and Supervisory Board and the Committees

On this matter, see point 17 of Part II – Management and Supervision.

With regards to the Financial Affairs Committee, composed of a minimum of three and a maximum of five Members, its members are designated by the General and Supervisory Board, and the respective terms of office have the same duration as the term of office of the General and Supervisory Board that appoints them.

With regards to the Strategic Affairs Committee, composed of a minimum of three and a maximum of five elements, its members are also appointed by the General and Supervisory Board, and the respective terms of office coincide, in terms of duration, with the terms of office of the Board that appointed them.

The composition of each of the Committees is as follows:

COMPOSITION OF THE FINANCIAL AFFAIRS COMMITTEE	
Coordinator	Álvaro João Duarte Pinto Correia
	Gabriel José dos Santos Fernandes
	Luísa Maria Xavier Machado
	Eugénio Óscar Garcia Rosa

COMPOSITION OF THE STRATEGIC AFFAIRS COMMITTEE	
Coordinator	António Gonçalves Ribeiro
	Maria Manuela Silva
	Vitor José Melícias Lopes
	Carlos Vicente Morais Beato

32. Details of the independent members of the General and Supervisory Board and the Committees

All the members are independent, and comply with the rules on incompatibility.

33. Professional qualifications of the members of the General and Supervisory Board and the Committees

As previously mentioned, the qualifications and curricula of the members of the General and Supervisory Board and the Committees are presented in Annex I of this Report.

B) FUNCTIONING

34. Availability and place where the rules on the functioning of the General and Supervisory Board and the Committees may be consulted

The Rules on the functioning of the General and Supervisory Board and the Committees is available for consultation on the website of the Institution (www.montepio.org).

35. Number of meetings held and the attendance report for each member of the General and Supervisory Board and the Committees

During 2013, the General and Supervisory Board held 11 meetings and the respective attendance was almost 100%.

The Financial Affairs Committee held its first meeting on 29 August 2013 and held four more meetings over the course of 2013.

The Strategic Affairs Committee held four meetings over the course of 2013.

36. The availability of each member of the General and Supervisory Board and the Committees, and details of the positions held at the same time in other companies within and outside the Group, and other relevant activities undertaken by members of these bodies throughout the financial year

The information relative to this point is available in Annex I of this Report.

C) POWERS AND DUTIES

37. Description of the procedures and criteria applicable to the intervention of supervisory body for the purposes of hiring additional services from the external auditor

The various audit services are hired under authorisation granted by the Executive Board of Directors, upon advice from the General and Supervisory Board.

38. Other duties of the supervisory bodies and, if applicable, of the Financial Affairs Committee

In addition to the powers presented in point 21 of this report, the General and Supervisory Board can issue a prior opinion, when requested by the Executive Board of Directors, on any matter that is deemed convenient and urgent. The Committees already mentioned in this Report are available to the General and Supervisory Board, which may, on the initiative of its Chairman, organise working groups for the analysis and supervision of specific matters.

The Financial Affairs Committee is responsible for, namely, monitoring and assessing the internal audit, internal control, risk control and accounting procedures; monitoring the activity of the statutory auditor and of the external auditor and assessing the internal control, Compliance, audit, certification of accounts reports and their presentation to the General and Supervisory Board accompanied by the corresponding draft opinion.

In turn, the Strategic Affairs Committee assesses the situation of the Institution in the sectorial context and the hiring or expansion policies, among others, as already mentioned in point 29.

IV. STATUTORY AUDITOR

39. Details of the statutory auditor and the partner that represents the same

The Statutory Auditor of Caixa Económica Montepio Geral is KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, represented, since 16 August 2013, by Jean-éric Gaign.

40. Indication of the number of years that the statutory auditor consecutively carries out duties with the Institution

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA was appointed as Effective Statutory Auditor of Caixa Económica Montepio Geral, for the three-year period 2013-2015, represented by Jean-éric Gaign.

41. Description of other services that the statutory auditor provides to the Institution

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, as Statutory Auditor of Caixa Económica Montepio Geral performs the duties of external auditor at this Institution. The services provided in addition to the statutory auditor services are presented in the points below.

V. EXTERNAL AUDITOR

42. Identification of the external auditor

The External Auditor of Caixa Económica Montepio Geral is KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, registered at the CMVM under no. 9083, represented by the partner Vitor Manuel da Cunha Ribeirinho, ROC no. 1081.

43. Indication of the number of years that the statutory auditor consecutively carries out duties at the institution

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, consecutively carries out duties at Caixa Económica Montepio Geral since 2002 (inclusive).

44. Rotation policy and schedule of the external auditor

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, provides external audit services to Caixa Económica Montepio Geral under contracts for the provision of services, since 2002. The provision of services by KPMG, governed by general terms and conditions, under a specific contract letter «Engagement Letter», has been extended.

In line with the practice followed in previous years, the contract for the provision of services is celebrated annually.

45. Assessment of the external auditor

At Caixa Económica Montepio Geral, the General and Supervisory Board is the institutional body that analyses and discusses the reports of the external auditors, controls and ensures the relations with the external auditor. Within GSB it is the Financial Affairs Committee that, within the scope of its duties, monitors the activity of the external auditor.

46. Details of services, other than auditing, carried out by the external auditor for the Institution

The services provided by KPMG are entirely functionally and hierarchically independent in relation to Caixa Económica Montepio Geral, in accordance with the applicable regulatory and professional standards.

The tax consultancy services and other services other than legal accounts review services, which were previously approved by the Executive Board of Directors, refer to services within the scope of tax advisory services provided to the Group for the review of the tax obligations of the various entities, and within the scope of services that are permitted in accordance with the rules of independence.

47. Details of the annual remuneration paid to the auditor and the percentage breakdown relating to each type of services

During 2012, the fees charged by KPMG & Associados – SROC, SA, in relation to the services provided to Caixa Económica Montepio Geral, mainly audit services, came to 2 212 675 euros.

The table below contains the services provided by the external auditor in Portugal and abroad in 2013.

(euros)

SERVICES	AMOUNT	%
Legal accounts review services	872 500	39
Other guarantee and reliability services	719 500	33
Tax consultancy services	375 675	17
Services other than accounts legal review services	245 000	11
GENERAL TOTAL	**2 212 675**	**100**

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Rules applicable to the amendment of the articles of association of the Institution

Depending on the type of amendment to the articles of association, the favourable deliberation of the General Meeting or the simple deliberation of the Executive Board of Directors may be sufficient.

The articles of association of Caixa Económica Montepio Geral may only be amended in accordance with the provisions of chapter VII, article 36 of said articles of association.

As such:

- If the General Meeting of Montepio Geral approves by a majority of at least two thirds of the members present, the proposal presented, duly substantiated, a Committee composed of 5 members shall be elected to prepare the respective project or issue an opinion on the specific terms of the proposal.
- The project or opinion of the Committee shall then be submitted to the chairman of the Board of the General Meeting of Caixa Económica within a maximum of three months, who will convene the extraordinary General Meeting, within a period of no longer than one month.
- Once the process has been concluded, the General Meeting of Caixa Económica will deliberate on the proposed amendment.

Following the conclusion of the process, the General Meeting of Montepio Geral will ratify the approved amendments.

II. REPORTING OF IRREGULARITIES

49. Reporting means and policy on the reporting of irregularities in the Institution

The Audit and Inspection Department is responsible for supporting the management body in exercising disciplinary power, as a consequence of practices that involve employees that contravene rules in force, and identifying the areas of most relevance and risk, aimed at achieving efficient governance.

The mission of the Compliance Office is to assist the management bodies, the organisational structure and all the employees in fully complying with the legislation, rules, codes and external and internal standards in force.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Individuals, bodies or committees responsible for the internal audit and/or the implementation of the internal control systems

The Executive Board of Directors, in performing its duties, approves and annually reviews the objectives and strategic guidelines for the following three-year period and permanently controls the global evolution of the Institution, the risks inherent to the activity and the performance and execution of various activities and projects.

There are specific units of the organic structure responsible for internal control functions in the risk management and information systems areas.

The bodies, committees and organic units responsible for internal control and risk management are:

- Executive Board of Directors
- General and Supervisory Board
- Financial Affairs Committee
- External Auditor
- Audit and Inspection Department
- Risk Department
- Compliance Office

There is a detailed description of the principles, methodologies and instruments adopted in the management of the various risks in a separate chapter, in the Management Report.

51. Details of hierarchical and/or functional dependency in relation to other bodies or committees

The management body is responsible for preparing the report on the Internal Control System, and for the implementation and maintenance of an adequate and effective system, which respects the defined principles, as a fundamental component of the business and organisational culture.

On the other hand, the General and Supervisory Board ensures that the management body establishes and maintains an adequate and effective internal control, and that ensures and controls the effectiveness of the internal audit function. For this purpose, it has a Financial Affairs Committee which, within the scope of its duties, monitors and assesses the internal audit, internal control, risk control and accounting procedures, and the respective reports and submits them to the General and Supervisory Board accompanied by the corresponding draft opinion.

Also for the purposes of assessment, based on the mechanisms of assessment of the suitability and efficacy of the established internal control system, it is supported by the following functional areas: Audit and Inspection Department, Risk Department and Compliance Office, as well as by the complementary work undertaken by KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, as External Auditor.

As such, the internal audit function is an integral part of the continuous monitoring system of the Institution’s internal control, verifying the suitability and compliance of the defined policies and acting as an assistant to senior management.

The Audit and Inspection Department, in addition to assessing the suitability and efficacy of the internal control system, is responsible for the analysis and assessment of procedures, in accordance with the legislation in force and the defined standards and criteria, and for verifying the correct compliance with the standards in force.

With the collaboration and in articulation with the External Auditors, the Audit and Inspection Department coordinated the preparation of the Annual reports of Internal Control on an individual and consolidated basis submitted to Banco de Portugal, and prepared the Annual report of Supervision and Control of the Financial Intermediation Activity sent to the CMVM.

52. Other functional areas responsible for risk control

The Risk Department supports the Executive Board of Directors in decision-making associated to the management of the different types of risk inherent to the activity, within the Group.

Similarly, it ensures risk analysis and management, from a Group perspective, whenever decided by top management, including the identification, assessment, monitoring and control of market, liquidity, interest rate, credit and operational risks.

The organic statute of the Risk Department includes in its structure: the Global Risks Department, the Business Risks Department and the Risks Modelling Department, in accordance with the management of liquidity, market and interest rate risks and of solvency levels; the management of credit and operational risk, and the development of risk classification systems to support the credit analysis and decision and of its validation independently from the development function.

With respect to compliance risk, the Compliance Office is responsible for its control and for guaranteeing the execution of the policies approved by the Board of Directors in the area of this type of risk and of prevention of money laundering.

The compliance function is exercised in a permanent and effective manner, autonomously and independently, aimed at ensuring that the management bodies, organisational structure and all the employees fully comply with the existing internal and external requirements.

Within this scope, in 2013, it continued to guarantee the disclosure of relevant information and the participation in specific transposition of external legislation processes, as well as in the review of mandatory reporting processes with external authorities.

53. Identification and description of the main types of risks

The various types of risks have already been listed in chapter «5. Risk Analysis» in the Management Report.

54. Description of the procedure for identification, assessment, monitoring, control and management of risks

As mentioned in point 50 of this Report, there is a detailed description of the principles, methodologies and instruments adopted in the management of the various risks in a separate chapter, in the Management Report.

55. Core details on the internal control and risk management systems implemented in the Institution regarding the procedure for reporting financial information

One of the commitments of the Executive Board of Directors is to guarantee an efficient and profitable performance of the activity, thus ensuring the existence of financial and management information that is complete, relevant and reliable and the observance of the applicable legal and regulatory requirements.

The internal control system relative to the preparation and disclosure of financial information is monitored by the management and supervisory bodies, as well as by the organic units responsible for their preparation.

Prior to any disclosure, the documents are approved by the bodies referred to above, with any press releases containing financial information being approved only by the management body, regardless of being submitted to the supervisory body.

In this regard, it is also important to mention the role of the supervisory body, the General and Supervisory Board that monitors the risk and financial reporting policies, in addition to monitoring the financial performance.

IV. INVESTOR ASSISTANCE

56. Department responsible for investor assistance

Since Caixa Económica Montepio Geral is not, in legal terms, a company nor an entity that sets up its capital through recourse to the market, it ensures contact with the market and complies with its information duties through organic units responsible for disclosing institutional and financial information.

However, arising from the public offer and admission to trading on a regulated market of the 20 000 units representing the Participation Fund of Caixa Económica Montepio Geral, which occurred in December 2013, it became subject to a specific legal regime, as required by the Portuguese Securities Market Code and various CMVM regulations, namely in terms of provision of information and investor support, to the market in general, and also to the regulatory authorities.

As such, Caixa Económica Montepio Geral is now identified as a «Publicly Traded Company» and, in this sense, an organic unit designated as Investor Support Office is being set up with the mission of responding to current demands.

57. Market Liaison Officer

José Carlos Sequeira Mateus
Avenida de Berna, 10 – 7.º
1050-040 LISBOA
Telef. +351 210 416 015
Fax +351 210 416 009
E-mail: JCMateus@montepio.pt

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from previous years

As already mentioned in point 56, although the Investor Support Office of Caixa Económica Montepio Geral is not yet in operation, all of the information and disclosure duties have been complied with through one of the units of its organic statute.

V. INTERNET SITE

59. Address(es)

Information on the institution is available in both Portuguese and English on Montepio's Internet site, whose address is: http://www.montepio.org.

60. Place where information on the firm, public company status, registered office and other details referred to in article 171 of the Commercial Companies Code is available

Due to the issue of the units of the Participation Fund of Caixa Económica Montepio Geral and the subsequent obligation of identifying the entity as a publicly traded company, the site is currently being updated.

61. Place where the articles of association and regulations on the functioning of the bodies and/or committees are available

This information may be consulted at the following address:
https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/sobre/governacao.page?altcode=900GOVERN

62. Place where information is available on the identity of the members of the institutional bodies

This information may be consulted at the following address:
https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/caixa-economica/orgaos-sociais.page?altcode=CEMGORGSOC

63. Place where the documents relating to financial accounts reporting are available, and which should be accessible for at least five years, as well as the calendar on company events

The financial accounts reporting documents may be consulted, until the end of 2011, at the following address:
https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/sobre/informacao-financeira/relatorios-contas.page?

The financial accounts reporting documents relative to 2012 and beyond may be consulted at the following address:
https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/caixa-economica/relatorio-contas.page?altcode=RCCEMG

This change is related to the amendment to the articles of association of Caixa Económica Montepio Geral, which resulted in the establishment of a new corporate governance model, with the separation of the management and control bodies of Caixa from the bodies of Montepio Geral – Associação Mutualista.

With regards to the calendar of events, it is still being drawn up.

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed

This information may be consulted at the following address:
https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/sobre/governacao/assembleias-gerais.page?altcode=AGERAIS

The convening notice and information included in the agenda are also disclosed in the area designated as «news».

65. Place where the historical archive on the resolutions passed at the company's General Meetings is available

This information may be consulted at the same address of the previous point.

D. REMUNERATION

I. POWER TO ESTABLISH

66. Details of the powers for establishing the remuneration of the governing bodies, members of the executive committee or chief executive officer and directors of the institution

The duties of the Remuneration Committee include defining the remuneration policy of the members of the institutional bodies, as well as setting remunerations in accordance with the duties performed.

Every year, the Committee submits to the General Meeting for approval, a declaration on the remuneration policy of the members of the management and supervisory bodies and there shall always be at least one member of the Remuneration Committee present at the General Meeting.

II. REMUNERATION COMMITTEE

67. Composition of the Remuneration Committee and independence of each of its members

The Remuneration Committee, elected at the General Meeting for the three-year period 2013-2015, is composed of the following members:

Chairman: Luís Eduardo Silva Barbosa
Member: José Eduardo Bettencourt
Member: Carlos Lilaia

None of the members of the Committee is a member of the management body, his/her spouse, relative or related in line of descent until the third degree.

And, in accordance with the articles of association, the members of the Remuneration Committee are independent relative to members of the management body.

68. Knowledge and experience of members of the Remuneration Committee regarding remuneration policy issues

The members of the Remuneration Committee have knowledge and experience in remuneration issues and have no employment, service provision, supply or credit contract with Montepio, with the exception of any credits for the purchase of private housing or for the payment of health expenses.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy of the management and supervisory bodies

As a result of the amendment to the articles of association and the entry into force of the new corporate governance model of Caixa Económica Montepio Geral, the remuneration policy was drawn up for the three-year period 2013-2015, with its maintenance being reconfirmed, or not, each year.

The remuneration policy of the management and supervisory bodies is approved by the Remuneration Committee which presents, every year, for approval by the General Meeting, the «declaration on the remuneration policy».

This Declaration thus constitutes a «mandate» conferred upon the Remuneration Committee to set the remunerations of the members of the management and supervisory bodies, as well as of the other institutional bodies.

The «declaration relative to the remuneration policy of the members of the management and supervisory bodies relative to 2014», to be submitted to the first General Meeting of 2014, is presented in annex to this report (Annex II).

In addition, the Committee is also responsible for analysing the situation in order to assess compliance with the approved remuneration policies and procedures.

70. Information on how remuneration is structured so as to permit the alignment of the interests of the members of the management body with the long-term interests of the institution, and how it is based on the assessment of performance and discourages excessive risk taking

The remuneration policy is structured taking into consideration the objectives, structure and dimension of the Institution, nature of duties and market practices.

Remuneration consists of the following components:

i) Fixed component paid on a monthly bases;

ii) A variable component which may or may not be attributed.

These two remuneration components are based on objective and transparent criteria, consistent with the remuneration practice of the Institution and in keeping with the remuneration structure and chain of responsibilities, as well as compatible with national remuneration standards.

In addition to these two remuneration components, remuneration may be attributed in the form of attendance fees and subsistence expenses to be paid to the Executive Board of Directors in the same terms in which they are due to employees.

Although the payment of a variable remuneration to executive directors is provided for in the articles of association, the Institution has adopted a more restrictive policy, setting a maximum ceiling of variable remuneration dependent on the result of the individual performance appraisal and on the Institution's performance, thus preventing excessive risk taking behaviour.

71. Reference, where applicable, to there being a variable remuneration component and information on any impact of the performance appraisal on this component

As already previously mentioned, the remuneration structure of the executive directors has, in addition to a fixed component, a possible variable component based on specific measurable criteria and predetermined assumptions.

In 2013, the Remuneration Committee maintained its decision to not attribute any variable remuneration.

72. Deferral of the payment of the variable component of remuneration, mentioning the period of deferral

Although no variable remuneration has been attributed, remuneration policy stipulates that 70% of that remuneration is to be deferred for a period of 3 years.

73. Criteria on which the allocation of a variable remuneration in shares is based

Not applicable.

74. Criteria on which the allocation of a variable remuneration in options is based

Not applicable

75. The main parameters and grounds for any annual bonus scheme and any additional non-financial benefits

In 2013, there were no prizes, annual bonuses or non-financial benefit schemes.

76. Main characteristics of the supplementary pension or early retirement schemes for directors and date when said schemes were approved at the general meeting, on an individual basis

The members of the executive board of directors are entitled to a retirement pension, in addition to whatever else is due by application, by analogy, of the regime in force for employment contracts.

IV. REMUNERATION DISCLOSURE

77. Indication of the amount relating to the annual remuneration paid as a whole and individually to members of the Institution's management bodies, including fixed and variable remuneration and as regards the latter, reference to the different components that comprise the same

The remuneration earned by the members of the Executive Board of Directors, in 2013, was the following:

(euros)

	Remuneration Fixed	Remuneration Variable	Remuneration Total
António Tomás Correia – Chairman (*)			
Jorge Humberto Barros Luís	200 249.52	–	200 249.52
Pedro Miguel de Almeida Alves Ribeiro	200 313.76	–	200 313.76
Fernando Paulo Pereira Magalhães	200 430.12	–	200 430.12
Total (**)	**600 993.40**	**–**	**600 993.40**

(*) According to the decision of the Remuneration Committee and the powers that he was assigned by the general meeting, the remuneration of the Chairman of the Executive Board of Directors, in the amount of 447 735.04, is paid exclusively by Montepio Geral – Associação Mutualista.

(**) 11 137.77 euros is added to the overall value of 600 993.40 euros, reaching a total of 612 131.17 euros, in respect of the adjustment of funds paid to members that have already ceased their functions.

The Remuneration Committee also decided not to attribute any variable remuneration (whether as «gratification and «bonus» or as an «extraordinary bonus»).

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or that are subject to a common control

No remuneration is due for the exercise of duties in subsidiary companies, whether paid by said subsidiaries or by Caixa Económica Montepio Geral.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded

As indicated in point 77, no variable remuneration was attributed.

80. Compensation paid or owed to former executive directors relative to their termination of office during the financial year

In the case of termination of a term of office, the members of the executive board of directors are entitled to receive the amounts corresponding to the holiday and Christmas bonuses due and not paid, in addition to the part proportional to the length of service of those bonuses, with respect to the year in which they ceased their functions.

81. Indication of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory boards for the purposes of Law no. 28/2009, of 19 June

During 2013, the fixed monthly remuneration of the General and Supervisory Board of Caixa Económica Montepio Geral came to 5 000.00 euros for each member, paid in double in the months of January (holiday bonus) and November (Christmas bonus), except those that have been elected as directors of Montepio Geral – Associação Mutualista.

The remuneration earned by the Statutory Auditor has already been referred to in point 47 above.

82. Indication of the remuneration in said year of the Chairman of the Board of the General Meeting

The Chairman of the Board of the General Meeting earned remuneration in the form of attendance fees for participation in specific acts, which came to 813.73 euros per participation in 2013.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. Reference to the contractual restraints for compensation payable for unfair dismissal of a director and the relevance thereof to the variable component of the remuneration

Under the terms of the remuneration policy of the members of the Executive Board of Directors, in case of termination of office without just cause, in addition to that referred to in point 80, the director is entitled to compensation, whose maximum value corresponds to the fixed monthly remunerations that he is currently earning from the date of dismissal until the end of the planned term of office.

84. Reference to the existence and description, with details of the sums involved, of agreements between the Institution and members of the board of directors and managers, which envisage compensation in the event of resignation, unfair dismissal or termination of employment following a takeover bid

There are no agreements with members of the board of directors or managers that envisage compensation in the event of resignation, unfair dismissal or termination of employment following a takeover bid.

VI. SHARE-ALLOCATION OR STOCK OPTION PLANS

The issues of points 85 to 88 on the abovementioned subject do not apply.

E. RELATED PARTY TRANSACTIONS

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented for the purpose of controlling transactions with related parties (for said purpose, reference is made to the concept resulting from IAS 24)

The conclusion of business deals between the institution and holders of qualified holdings, or with entities with which they have some kind or relationship, under the terms of article 20 of the Securities Code, is always previously submitted to the Executive Board of Directors for an opinion.

The Institution, in its central system, maintains the following:

- An updated list of the entities covered by the concept of related party, as defined by IAS 24;
- Information on exposure by customer;
- The integrated position of customers.

The Planning, Research and Accounting Department (DPEC) prepares information in the notes to the consolidated financial statements with details on the exposures held by CEMG in related parties included in the Annual Report and Accounts of 2013 (see the note to the financial statements).

90. Details of transactions that were subject to control in 2013

During 2013, there were no business deals or operations between CEMG and the members of its Executive Board of Directors, General and Supervisory Board, holders of qualifying holdings or Group companies, which were carried out other than under market conditions (applicable to similar operations) or beyond the scope of the Institution's normal day-to-day business operations.

91. Description of the procedures and criteria applicable to the intervention of the supervisory body for providing a preliminary assessment of the business deals to be carried out between the company and holders of qualifying holdings or entities which are in any relationship with it, as envisaged in article 20 of the Securities Code

The conclusion of business deals between the institution and holders of qualifying holdings, or with entities with which they have some kind or relationship, under the terms of article 20 of the Securities Code, is always previously submitted to the Executive Board of Directors for an opinion.

The opinion of the Executive Board of Directors is issued in accordance with the information presented for assessment of the operations by the Credit Committee.

II. DATA ON BUSINESS DEALS

92. Details of the place where the financial accounts reporting documents including information on business deals with related parties are available, in accordance with IAS 24, or alternatively a copy of said data

According to IAS 24, related entities are considered those where CEMG exercises, directly or indirectly, a significant influence on their management and financial policy – associated and jointly-controlled companies and Pension Fund – and the entities which exercise a significant influence on CEMG's management.

The debits and credits and the income and costs of CEMG relative to related party operations are presented in the note to the respective financial statements.

PART II – CORPORATE GOVERNANCE ASSESSMENT

1. Details of the Corporate Governance Code adopted

This Report on the Institution's Corporate Governance mirrors the corporate governance structure followed by the Institution, directly associated to its organisational performance and in conformity with the corporate governance principles and practices adopted by the Institution, complying, in general, with the recommendations of the CMVM, and in accordance with its specific legal nature.

In addition to the provisions applicable under the law, the articles of association and regulations, all the activities undertaken also comply with the resolutions of the institutional bodies, internal rules, rules of conduct and ethical standards.

Lastly, it is important to point out that this document must be read as an integral part of the Annual Report relative to the financial year of 2013.

2. Analysis of compliance with the adopted Corporate Governance Code

Under the terms of Article 245-A, No. 1, sub-paragraph *o*) the level of compliance with the recommendations of the Corporate Governance Code is presented.

Recommendations	Adopted	Not Adopted or Not Applicable	Observations/Reference in the Institutional Corporate Governance Report
I. VOTING AND CORPORATE CONTROL			
I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.		Not applicable	Point 12.
I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.		Not applicable	Points 12. to 14.
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.		Not applicable	Points 12. to 14.
I.4. The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.		Not applicable	Points 12. to 14.
I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the management body and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of management body members, shall not be adopted.		Not applicable	Point 5.
II. SUPERVISION, MANAGEMENT AND OVERSIGHT			
II.1. SUPERVISION AND MANAGEMENT			
II.1.1. Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	x		Point 21.

Recommendations	Adopted	Not Adopted or Not Applicable	Observations/Reference in the Institutional Corporate Governance Report
II.1.2. The Board of Directors must ensure that the company acts in accordance with its objectives, and must not delegate its competence, namely, with respect to: *i*) the definition of the strategy and general policies of the company; *ii*) the definition of the Group's business structure; *iii*) decisions which should be considered strategic due to their amount, risk or special characteristics.	x		Point 21.
II.1.3. The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the Group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	x		II. MANAGEMENT AND SUPERVISION
II.1.4. Unless as a result of the small size of the company, the Board of Directors and General and Supervisory Board, according to the adopted model, should create the committees which prove necessary for: *a*) Ensuring a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees; *b*) Reflecting on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	x		Points 27. to 29.
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	x		III: INTERNAL CONTROL AND RISK MANAGEMENT
II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the management body.		Not applicable	There are no non-executive members
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a) Having been an employee at the company or at a company holding a controlling or group relationship within the last three years; b) Having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person; c) Being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member; d) Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e) Being a qualifying shareholder or representative of a qualifying shareholder.			Not applicable in relation to non-executive directors, since all directors are executive directorss Information relative to the General and Supervisory Board is included in point 18. There is no Executive Committee

Recommendations	Adopted	Not Adopted or Not Applicable	Observations/Reference in the Institutional Corporate Governance Report
II.1.8. When requested by other members of the governing bodies, the directors performing executive duties should provide, in due time and in a form appropriate to the request, any information requested by them.	x		Points 16. to 18.
II.1.9. The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chair of the Financial Affairs Committee, the convening notices and minutes of the relevant meetings.			Points 27. to 29.
II.1.10. If the chair of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.		Not applicable	There are no non-executive members
II.2. SUPERVISION			
II.2.1. Depending on the applicable model, the Chair of the Supervisory Board, the Audit Committee or the Financial Affairs Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	x		Points 30. to 33.
II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	x		Point 37.
II.2.3. The supervisory body shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	x		Point 45.
II.2.4. The supervisory body shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	x		Points 50. to 52.
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	x		Point 38.
II.3. REMUNERATION SETTING			
II.3.1. All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	x		Points 67. and 68.
II.3.2. Any natural or legal person that provides or has provided services in the past three years, to any structure that is directly responsible to the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	x		Points 67. to 69.

Recommendations	Adopted	Not Adopted or Not Applicable	Observations/Reference in the Institutional Corporate Governance Report
II.3.3. A statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law no. 28/2009 of 19 June, shall also contain the following: *a)* Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies; *b)* Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; *c)* Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	x		Points 69. to 70. and Annex II to the Institutional Corporate Governance Report
II.3.4. Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.		Not applicable	VI. PLANS TO ATTRIBUTE SHARES OR SHARE OPTIONS (Points 85. to 88.)
II.3.5. Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said scheme.		Not applicable	Point 76.
III. REMUNERATION			
III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage excessive risk-taking.	x		Point 70. and remuneration policy
III.2. The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.		Not applicable	There are no non-executive members
III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	x		Point 70. and remuneration policy
III.4. A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.		Not applicable	
III.5. Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.		Not applicable	Point 73.
III.6. Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their term of office.		Not applicable	
III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.		Not applicable	
III.8. When the removal of a board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	x		Point 83.

Recommendations	Adopted	Not Adopted or Not Applicable	Observations/Reference in the Institutional Corporate Governance Report
IV. AUDITING			
IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	x		Point 46.
IV.2. The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. Where there are motives for the contracting of such services – which should be approved by the supervisory body and explained in its Annual Corporate Governance Report – they cannot represent a figure above 30% of the total value of the services provided to the company.	x		Points 37. and 46.
IV.3. Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of the auditor's independence and the benefits and costs of its replacement.	x		Point 44.
V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS			
V.1. The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions.			E. RELATED PARTY TRANSACTIONS
V.2. The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings – or entities with which they are in any of the relationships described in no. 1 of article 20 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body.			E. RELATED PARTY TRANSACTIONS
VI. INFORMATION			
VI.1. Companies shall provide, via their websites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	x		V. INTERNET SITE
VI.2. Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion, and a record of the submitted requests and their processing shall be kept.			Points 56. and 58.

3. Other information

With regards to other quantitative information and following the approval, by the Executive Board of Directors, of the remuneration policy of the «employees» that covers the senior managers that perform duties that can have an impact on the risk profile of the Institution, officers in control functions and other employees which, in remuneration terms, are assimilated to senior managers, the remunerations earned in 2013 by these employees is presented below:

Manager	29
Assistant Manager	5
Total Fixed Rem.	4 580 405.54 €
Total Variable Rem.	96 612.09 €
Total Remuneration	**4 677 017.63 €**
Weight Variable Rem.	**2.07%**

This remuneration policy is the one that is applied to the Employees of Caixa Económica Montepio Geral in general and is based on the existence of remuneration composed of two components: a fixed component and a variable component.

The variable remuneration attributed to senior managers, and those that in remuneration terms are assimilated to them, complies with specific rules and limits.

ANNEX I – ACADEMIC QUALIFICATIONS AND POSITIONS HELD BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND OF THE EXECUTIVE BOARD OF DIRECTORS

GENERAL AND SUPERVISORY BOARD

- **José de Almeida Serra**

  Academic qualifications:
  Licentiate Degree in Economics from ISCEF and post-graduation from the Massachusetts Institute of Technology

  Professional activities performed over the last few years:
  Member of the Board of Directors of Montepio Geral – since 2004
  Chairman of the General and Supervisory Board of Caixa Económica Montepio Geral – since 6 May 2013

  Positions held in subsidiary companies, as at 31 December 2013:
  Chairman of the Board of Directors of Montepio Gestão de Ativos – SGFI, SA
  Chairman of the Board of Directors of Futuro – Soc. Gestora de Fundos de Pensões, SA
  Member of the Remuneration Committee of SAGIES – Segurança, Higiene e Saúde no Trabalho, SA
  Member of the Remuneration Committee of Clínica CUF Belém, SA

- **Vitor José Melícias Lopes**

  Academic qualifications:
  Licentiate Degree in Canon Law and Civil Law

  Professional activities performed over the last few years:
  Chairman of the Board of the General Meeting of Montepio Geral – since 2008
  Chairman of the Board of the General Meeting of Caixa Económica Montepio Geral, as part of his functions – since 6 May 2013

- **Eduardo José da Silva Farinha**

  Academic qualifications:
  Licentiate Degree in Finance from ISCEF

  Professional activities performed over the last few years:
  Member of the Board of Directors of Montepio Geral – since 2004
  Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions – since 6 May 2013

  Positions held in subsidiary companies, as at 31 December 2013:
  Chairman of the Board of the General Meeting of Montepio Gestão de Ativos – SGFI, SA
  Chairman of the Board of Directors of MG Investimentos Imobiliários, SA
  Chairman of the Remuneration Committee of Bolsimo – Gestão de Ativos, SA
  Member of the Board of Directors of Clínica CUF Belém, SA
  Member of the Board of Directors of Montepio Imóveis – Sociedade Imobiliária de Serviços Auxiliares, SA
  Member of the Board of Directors of Lestinvest, SGPS,SA
  Member of the Board of Directors of SAGIES – Segurança, Higiene e Saúde no Trabalho, SA
  Member of the Remuneration Committee of Futuro – Soc. Gestora de Fundos de Pensões, SA
  Member of the Remuneration Committee of Montepio Valor – Soc. Gestora de Fundos de Investimento, SA
  Member of the Remuneration Committee of Lusitania, Companhia de Seguros, SA
  Member of the Remuneration Committee of Montepio Gestão de Ativos, SGFI, SA

- **Álvaro Cordeiro Dâmaso**

  Academic qualifications:
  Licentiate degree in Law from the Faculty of Law of Universidade de Lisboa

  Professional activities performed over the last few years:
  Chairman of the Agency for Investment Promotion of the Azores – between 2007 and 2009
  Member of the Board of Directors of Montepio Geral – since 2010
  Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions – since 6 May 2013

Positions held in subsidiary companies, as at 31 December 2013:
Chairman of the Board of Directors of Montepio Imóveis – Soc. Imobiliária de Serviços Auxiliares, SA
Chairman of the Board of Directors of Lestinvest, SGPS,SA
Chairman of the Board of Directors of Lusitania, Companhia de Seguros, SA
Chairman of the Board of Directors of Lusitania Vida, Companhia de Seguros, SA

- **Carlos Vicente Morais Beato**

Academic qualifications:
Licentiate Degree in Management from Instituto Superior de Gestão

Professional activities performed over the last few years:
Member of the Board of Directors of Montepio Geral – since 2013
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions – since 6 May 2013

Positions held in subsidiary companies, as at 31 December 2013:
Chairman of the Board of Directors of Residências Montepio, Serviços de Saúde, SA

- **Álvaro João Duarte Pinto Correia**

Academic qualifications:
Civil Engineer

Professional activities performed over the last few years:
Chairman of the Supervisory Committee of Instituto de Seguros de Portugal
Chairman of the Fundação Cidade de Lisboa (City of Lisbon Foundation)
Chairman of the Supervisory Board of Montepio Geral – since 2013
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions – since 6 May 2013

- **Gabriel José dos Santos Fernandes**

Academic qualifications:
Licentiate Degree in Economics
Is a Statutory Auditor

Professional activities performed over the last few years:
Chairman of the Supervisory Board of Finangeste
Member of the Supervisory Board of Montepio Geral – since 2008
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions – since 6 May 2013

- **Luísa Maria Xavier Machado**

Academic qualifications:
Licentiate Degree in Management

Professional activities performed over the last few years:
Head of the Budget and Control Department of Caixa Económica Montepio Geral – since 2010
Member of the Supervisory Board of Montepio Geral – since 2013
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions – since 6 May 2013

- **Maria Manuela Silva**

Academic qualifications:
Licentiate Degree in Economics

Professional activities performed over the last few years:
Member of the General Board of Montepio Geral – since 2007
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions – since 6 May 2013

- **António Gonçalves Ribeiro**

  Academic qualifications:
  Lieutenant General

  Professional activities performed over the last few years:
  Member of the General Board of Montepio Geral – since 2013
  Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions – since 6 May 2013

- **Eugénio Óscar Garcia Rosa**

  Academic qualifications:
  Licentiate Degree in Economics and Doctorate from ISEG

  Professional activities performed over the last few years:
  Member of the Research Office of CGTP-IN and of the Technical Office of the National Federation of Public Sector Trade Unions, representative of CGTP in the Monitoring Committees of the Human Potential and Competitiveness Factors Operational Programmes
  Member of the General Board of Montepio Geral – since 2013
  Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions – since 6 May 2013

EXECUTIVE BOARD OF DIRECTORS

- **António Tomás Correia**

  Academic qualifications:
  Licentiate Degree in Law from Universidade Clássica de Lisboa

  Professional activities performed over the last few years:
  Chairman of the Board of Directors of Montepio Geral – since 2008
  Chairman of the Executive Board of Directors of Caixa Económica Montepio Geral – since 18 March 2013

  Positions held in subsidiary companies, as at 31 December 2013:
  Chairman of the Board of Directors of Montepio Holding, SGPS, SA
  Chairman of the Board of Directors of Montepio Investimento, SA
  Chairman of the Board of Directors of Finibanco Angola, SA
  Member of the Remuneration Committee of Montepio Valor – Soc. Gestora de Fundos de Investimento, SA
  Member of the Remuneration Committee of Futuro – Soc. Gestora de Fundos de Pensões, SA
  Member of the Remuneration Committee of Montepio Gestão de Ativos, SGFI, SA

- **Jorge Humberto Barros Luís**

  Academic qualifications:
  Licentiate Degree in Economics and Masters from ISEG
  Doctorate in Economics from York University (United Kingdom)

  Professional activities performed over the last few years:
  Manager of the Risk Department of Caixa Económica Montepio Geral from 2004 to 2013
  Member of the Executive Board of Directors of Caixa Económica Montepio Geral – since 18 March 2013

  Positions held in subsidiary companies, as at 31 December 2013:
  Chairman of the Board of Directors of Montepio Valor – Sociedade Gestora de Fundos de Investimento, SA
  Member of the Board of Directors of Montepio Holding, SGPS, SA

- **Pedro Miguel de Almeida Alves Ribeiro**

  Academic qualifications:
  Licenciate Degree in Economics from the School of Economics of Universidade de Coimbra
  PAGESF – Post-graduation from Universidade Católica de Lisboa

Professional activities performed over the last few years:
Director of Accenture – 2001 to 2013
Member of the Executive Board of Directors of Caixa Económica Montepio Geral – since 18 March 2013

Positions held in subsidiary companies, as at 31 December 2013:
Member of the Board of Directors of Montepio Holding, SGPS, SA
Member of the Board of Directors of Montepio Investimento, SA
Member of the Board of Directors of SIBS – Soc. Interbancária de Serviços, SA
Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, SA

- **Fernando Paulo Pereira Magalhães**

Academic qualifications:
University Degree in Marketing Management from Instituto Superior de Gestão e Marketing

Professional activities performed over the last few years:
Sales Manager of Caixa Económica Montepio Geral from 2009 to 2013
Member of the Executive Board of Directors of Caixa Económica Montepio Geral – since 18 March 2013

Positions held in subsidiary companies, as at 31 December 2013:
Member of the Board of Directors of Montepio Holding, SGPS, SA

ANNEX II – STATEMENT ON THE REMUNERATION POLICY OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OF CEMG FOR 2014

1. The general and fundamental rules of remuneration policy are set by the General Meeting and applied to specific situations by a Remuneration Committee, elected under the terms of article 16 c) of the Articles of Association of CEMG, in force since 14 January 2013, with no use being made of external consultants in these matters.
2. The Articles of Association of CEMG, in article 11 no. 1, provide that the following are institutional bodies of Caixa Económica: the General Meeting; the Supervisory Board; the Executive Board of Directors; the Remuneration Committee and the Statutory Auditor.
3. The performance of the management and supervisory body is assessed by the General and Supervisory Board.
4. The remuneration statute of the members of the Executive Board of Directors is composed of:
    a) Monthly fixed remuneration, paid in double in the months of January (holiday bonus) and November (Christmas bonus);
    b) Subsistence expenses, in the event of travel, paid under conditions identical to those for staff members;
    c) A special bonus, if any, to be attributed, under distribution conditions and with criteria identical to those applied to first-line managers;
    d) This variable remuneration may not exceed 20% of the annual fixed remuneration;
    e) The remuneration referred to in *a*) and *b*) may be reviewed annually under the same conditions applicable to the review of the remuneration of staff members;
    f) On expiry of their term of office, the members of the management body are entitled to receive the monthly remuneration up until the last day of their term of office, in addition to whatever else is due by application, by analogy, of the regime in force for employment contracts;
    g) In the case of unfair dismissal, the members of the management body are entitled to receive the monthly remunerations that are due up until the expiry of their term of office;
    h) No remuneration is due for the exercise of duties in subsidiary companies, whether paid by said subsidiaries or by CEMG.
5. The members of the General and Supervisory Board, except those that have been elected as directors of Montepio Geral – Associação Mutualista, earn a monthly fixed remuneration, paid in double in the months of January (holiday bonus) and November (Christmas bonus).
6. The members of the Board of the General Meeting, pursuant to no. 1 of article 17 of the Articles of Association, are remunerated through attendance fees for participating in meetings.
7. The Statutory Auditor earns a fixed remuneration.

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AS A HUMANIST INSTITUTION THAT IS PART OF A MUTUALIST GROUP, CAIXA ECONÓMICA MONTEPIO GERAL OPERATES IN THE SOCIAL SECTOR OF THE ECONOMY

COMMITTED TO STABILITY AND SOLIDITY, IT DEFENDS TRANSPARENCY, ETHICS AND RIGOUR

MONTEPIO'S RECOGNITION LIES IN ITS ABILITY TO PLACE THE ECONOMY AT THE SERVICE OF PEOPLE

Montepio

Valores que crescem consigo.