CAIXA ECONÓMICA MONTEPIO GERAL

PUBLICLY LISTED COMPANY

REGISTERED OFFICE: RUA ÁUREA, 219-241, LISBON

INSTITUCIONAL CAPITAL: €1,500,000,000

REGISTERED AT THE LISBON COMMERCIAL REGISTRY OFFICE,

UNDER THE SAME REGISTRATION AND TAX IDENTIFICATION NUMBER 500 792 615

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

REPORT AND ACCOUNTS

1ST QUARTER OF 2014

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

CONTENTS

HIGHLIGHTS

- Considerable improvement in Consolidated Net Income that reached +35.5 million euros, registering a positive variation of 51.3 million euros in comparison with the same period of the previous year, in which a loss of 15.8 million euros was posted.

- Very positive evolution of Net Interest Income which reached 81.9 million euros, corresponding to a year-on-year increase of 30.5 million euros (+59.5%). This improvement, which confirms and reinforces the trend of the last quarter of 2013, also extended to Net Operating Income, which registered a significant improvement, reaching a total of 307.6 million euros, corresponding to an increase of 214.8 million euros. In addition to the improvement in Net Interest Income, as previously mentioned, the fees of services provided to customers, which came to 24.8 million euros, and net trading income, of 199.0 million euros, also contributed to this result.

- Substantial increase in CEMG's solvency, namely in the Regulatory Capital position, with Common Equity Tier 1 ratio standing at 11.3%, according to the phasing-in criteria of CRD IV/CRR of Basel III (Directive 2013/36/EU, Regulation 575/2013 and Notice 6/2013 of Banco de Portugal), or 10.2% according to the fully implemented criterion and 13.2% in terms of Total Capital required, all comfortably above the minimum requirements (7% in the first two cases and 8% in the latter).

- Reinforcement of the Liquidity position, through a 7.2% growth in on-balance sheet resources from retail customers amounting to 16,083.0 million euros. In comparison, customer deposits registered higher positive growth (+12.5% yoy), reaching 13,917.7 million euros. Total customer resources, including off balance sheet resources, reached 17,123.7 million euros, representing a year-on-year increase of 6.9%.

- Gross Credit to Customer reached a total of 16,627.5 million euros, representing an increase of +0.4% relative to the end of 2013 (-0.1% relative to the same quarter of 2013). In the 1st quarter of 2014 there was a 9.2% increase in credit granted to the Small and Medium-sized Enterprises segment, due to the reinforcement of the strategic focus on balance sheet diversification. At the same time, there was a decrease in credit granted to mortgage business segments (Mortgage Loans (-3.9%) and Construction Credit (-21.2%)).

- This positive evolution in funding sources at retail level, coupled with the capacity to finance the new credit operations through the deleveraging of non-strategic credit, enabled CEMG to continue to reduce the commercial gap (customer deposits – credit to customers) and the simple transformation ratio (credit/deposits), which decreased from 126.5% in the 1st quarter of 2013 to 111.0%. Considering the more comprehensive version of that indicator, namely taking into account all the Other on-balance sheet retail funds, this ratio fell from 104.4% to 96.1%.

- **Reduction of the exposure to the ECB by 455 million euros, relative to the previous quarter. The pool of assets eligible for funding operations with the ECB came to 4,771.52 million euros, with 38% still available for any future operations, which corresponds to a reinforcement of the liquidity cushion with the ECB of 22.6%, relative to the same quarter in the previous year.**

- **The maintenance of a prudent provisioning reinforcement policy, enabled the coverage ratio of loans overdue by more than 90 days to be increased from 105.9% in March 2013 to 127.0% in March 2014. Consequently, the Credit at Risk coverage ratio by impairments registered a significant increase, standing at 55.1%, which compares to the 50.4% registered in the same period of the previous year, whereas the coverage ratio considering total credit impairments and the associated real estate collateral stands at 131.3%.**

- **This economic performance highlighted an inversion of the efficiency and profitability indicators, benefiting from the rise in Net Operating Income and a prudent policy of contention of operating costs, notwithstanding the requirement for more resources in line with the growth of the operation in Angola. Profitability reversed its downward trend relative to the same periods of the previous year and even the recent past, having achieved a Return-On-Equity (ROE) of 8.4% and a Return-On-Assets (ROA) of 0.6%.**

1. KEY INDICATORS

(thousand euros)

INDICATORS	Mar-14	Mar-13	Variation
ACTIVITY AND RESULTS			
Net Assets	22,459,226	21,322,708	5.3%
Gross Credit to Customers	16,627,483	16,639,829	-0.1%
Customer Resources on the Balance Sheet	16,082,979	14,999,784	7.2%
Total Deposits	*13,917,720*	*12,371,822*	12.5%
Securities Placed with Customers	*2,165,258*	*2,627,962*	-17.6%
Net Income	35,481	-15,769	> 100%
LEVERAGE AND LIQUIDITY			
Total Net Credit to Customers / Customer Deposits (a)	111.02%	126.48%	
Total Net Credit to Customers / Customer Resources on the Balance Sheet (b)	96.13%	104.45%	
Assets Eligible for Refinancing Operations with the ECB	4,711,521	3,774,402	
CREDIT RISK AND COVERAGE BY IMPAIRMENTS			
Ratio of Credit and Interest Overdue for more than 90 days	5.69%	5.35%	
Non Performing Loans Ratio (a)	7.79%	6.95%	
Net Non Performing Loans Ratio (a)	0.65%	1.30%	
Coverage of Credit and Interest Overdue by more than 90 days	126.95%	105.92%	
Credit at Risk Ratio (a)	13.06%	11.36%	
Net Credit at Risk Ratio (a)	6.32%	5.98%	
Credit at Risk Coverage Ratio	55.07%	50.37%	
Restructured Credit as a % of Total Credit (c)	9.55%	6.06%	
Restructured Credit not included in Credit at Risk as a % of Total Credit (c)	6.81%	4.85%	
EFFICIENCY AND PROFITABILITY			
Net Operating Income / Average Net Assets (a)	5.48%	1.78%	
Pre-tax Profit / Average Net Assets (a)	0.88%	-0.35%	
Pre-tax Profit / Average Equity (a)	11.74%	-4.57%	
Net Income / Average Net Assets (ROA)	0.63%	-0.30%	
Net Income / Average Equity (ROE)	8.44%	-3.94%	
Operating Costs / Net Operating Income (cost-to-income) (a)	26.56%	84.63%	
Personnel Costs / Net Operating Income (a)	14.95%	51.60%	
SOLVENCY			
Core Tier 1 Ratio (a)	10.76%	10.45%	
Tier 1 Ratio (a)	10.73%	10.43%	
Solvency Ratio (a)	12.45%	13.43%	
Common Equity Tier 1 Ratio (CRD IV phasing-in)	11.31%	-	
Total Capital Ratio (CRD IV phasing-in)	13.18%	-	
DISTRIBUTION NETWORK AND EMPLOYEES (Units)			
Total Number of Employees (CEMG Group)	4,223	4,236	-13
CEMG			
Employees	3,907	3,944	-37
Branches	437	458	-21
Employees / Branches	8.94	8.61	3.8%
International Branch Network - Angola (d)	16	11	5
Representation Offices	6	6	0

(a) In accordance with Banco de Portugal Instruction No. 23/2012.
(b) Customer Resources = Customer Deposits and Securities Placed with Customers
(c) In accordance with Banco de Portugal Instruction No. 32/2013.
(d) Includes Business Centres.

3. OVERVIEW

According to IMF forecasts, published at the beginning of April, the growth of the world economy will accelerate from 3.0% in 2013 to 3.6% in 2014 and 3.9% in 2015. The IMF estimates that, after several years of weak growth, the developed economies have finally reached a turning point. The largest share of the acceleration - but not of growth - should come from the developed countries, as the effects that led to weak growth in 2012 and 2013 dissipate: the deleveraging of the private sector, restrictive budgetary policies, the stalemate 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 Federal indebtedness. Growth in developed countries is expected to increase from only 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 of 2008/09 and 2013, when developing countries pulled the global economy forward. The latter should, nonetheless, be responsible for two thirds of world growth in 2014/15. In addition to providing a direct basis for global growth, stronger demand in developed countries will support the exports of developing countries (whose growth is expected to accelerate from 4.7% in 2013 to 4.9% in 2014, exceeding 5% (5.3%) only in 2015) 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. In any case, the IMF has drawn attention to the need for such normalisation to take place gradually, in order to guarantee a smooth exit from a period of growth sustained by high liquidity. The IMF further considers that the uncertainty relative to the evolution of the world economy has decreased, in spite of the persistence of significant risks in various emerging markets, namely China, the worsening of geopolitical tensions in Eastern Europe and the potentially adverse effects stemming from the low inflation rates in Europe.

In the 1st quarter of the year, investor sentiment improved in almost all of the risk classes of the developed economies – evidenced, for example, in the fact that the main U.S. indices have reached historical maximums and the European indices have reached maximums since September 2008 - in spite of the tension between Russia and the Ukraine, fears in relation to the weakness of various emerging economies and the slowdown in the USA between the end of 2013 and the start of 2014 (although considered temporary by the Federal Reserve - Fed, having attributed it to bad weather conditions). Investor sentiment has nonetheless been supported by: i) the gradual increase in optimism regarding the resolution of the euro crisis, with the return to growth of those economies and the fulfilment of fiscal targets leading to steep falls in the yields of the economies of the periphery; ii) the accommodating stance of the main central banks, with the ECB admitting that it may use additional measures, if necessary, and notwithstanding, in the USA, the decision of the Fed to continue to reduce its expansionary monetary policy in January and March (and also in April), namely by reducing the pace of monthly purchases of government debt. In any case, in the Euro Zone, the ECB's policy remained unchanged during the quarter, with the base rate remaining at the historical minimum of 0.25% and with no unconventional measures having been launched, in spite of the pressure from the IMF, which has been drawing attention to the risks of low inflation and stating that the ECB should "consider new interest rate cuts and, more importantly, seek ways of substantially increasing its balance sheet, be it through long term refinancing operations or quantitative easing". During the quarter, financial assets in emerging markets performed more moderately - and even negatively in some cases - across the various types of assets, with this performance reflecting the fears of a slowdown in emerging economies and a lower appetite for this kind of risk, in the current economic climate.

In the United Kingdom, the sudden improvement of the unemployment situation has forced the Bank of England to change its forward guidance policy, thus signalling to the market a postponement of expectations regarding any base rate increase. The Bank of Japan has not made any changes to its policy of substantially increasing its monetary base. The People's Bank of China only intervened indirectly, with a view to controlling the liquidity in the system and controlling the shadow banking system. The fears of investors in relation to the emerging economies, and the consequent depreciation of the currencies of these countries, have forced some central banks to intervene, with the authorities of India, Russia and Brazil increasing interest rates, although in the case of Brazil intervention is mainly due to high inflation.

The accommodating stance of monetary policy resulted in increases in stock market indices in developed economies alongside decreases in German and U.S. public debt yields, with the exception of short-term Treasury yields, which increased slightly, benefiting from the decisions of the Fed to progressively withdraw its stimulus to the U.S. economy.

Among the economies of the Euro area, the major focus was Portugal, which benefited from the following good news: i) during the period, several data pointed to a better budget outcome in 2013 than that envisaged in the State Budget for 2014 (5.9%), with the deficit standing at 4.9%, far below the objective set with the troika of 5.5%; ii) in terms of macroeconomic data, GDP in the 4th quarter of 2014 grew 0.6% quarter-on-quarter, for the third consecutive quarter, which resulted in the majority of institutions revising their forecasts upwards (the IMF forecasts that Portugal will grow 1.2% this year and 1.5% in 2015). In the interim, the data with reference to the 1st quarter of 2014 revealed that the economy shrank 0.7% quarter-on-quarter, given that domestic demand is likely to have been conditioned by the entry into force of the new measures of the 2014 State Budget, in addition to a negative contribution from net exports, but is expected to return to growth in the 2nd quarter; iii) during the 1st quarter, the probability of a "clean exit" of Portugal from the Economic and Financial Assistance Programme (PAEF) also increased, and was eventually assumed by the Government in May, which contributed to the appreciation of Portuguese financial assets, namely the increase in share and corporate and government bond prices.

With regards to Angola, the IMF estimated growth of only 4.1% in 2013, but it is expected to accelerate to 6.7% in 2019 and to grow at an average pace of about 5.5% for 2014-2019, underpinned by the increase in oil production and the diversification of the economy by moving away from natural resources. With reference to Mozambique, GDP registered a growth of 7.0% in 2013, and is expected to, according to the IMF, accelerate to 8.3% and grow at an average pace of 7.8% for 2015-2019.

4. NET INCOME

In the 1st quarter of 2014, the performance of the banking sector and of CEMG remained conditioned by the current economic climate, both at a domestic level due to the gradual recovery of economic activity, and due to the slow pan-European economic upturn, which conditioned the confidence of agents and, consequently, investment and employment.

Benefiting from a credit portfolio risk diversification strategy toward the SME segment associated to tradable goods, as well as for sectors dependent on foreign demand, such as activities related to tourism, coupled with a prudent management of the interest rate risk of the balance sheet, through a timely increase in fixed interest rate assets, CEMG recorded positive profitability levels when compared to the 1st quarter of 2013.

INCOME STATEMENT

(thousand euros)

	Mar-14		Mar-13		Variation	
	Value	%	Value	%	Value	%
Net Interest Income	**81,878**	**26.6**	**51,331**	**55.3**	**30,547**	**59.5**
Net Fees of Services to Customers	24,822	8.1	26,845	28.9	-2,023	-7.5
Commercial Net Operating Income	**106,700**	**34.8**	**78,175**	**84.3**	**28,525**	**36.5**
Income from Equity Instruments	34	0.0	23	0.0	11	45.2
Net Trading Income	198,970	64.7	8,276	8.9	190,694	>100
Other Net Income	1,899	0.6	6,299	6.8	-4,400	-69.9
Net Operating Income	**307,603**	**100.0**	**92,774**	**100.0**	**214,829**	**>100**
Personnel Expenses	46,000	15.0	47,868	51.6	-1,868	-3.9
Other Operating Expenses	26,508	8.6	23,151	25.0	3,357	14.5
Depreciation	9,191	3.0	7,492	8.1	1,699	22.7
Total Operating Expenses	**81,699**	**26.6**	**78,511**	**84.6**	**3,188**	**4.1**
Gross Profit	**225,903**	**73.4**	**14,261**	**15.4**	**211,642**	**>100**
Net Provisions and Impairments	**169,017**	**54.9**	**31,147**	**33.6**	**137,870**	**>100**
Credit	149,468		18,186		131,282	>100
Securities	18,188		4,247		13,941	>100
Other	1,362		8,714		-7,352	-84.4
Earnings from Associates and Joint Ventures	**-7,537**		**-1,389**		**-6,148**	<-100
Pre-tax Profit and Minority Interests	**49,349**	**16.0**	**-18,274**	**-19.7**	**67,623**	**>100**
Taxes	**-13,193**	**-4.3**	**2,843**	**3.1**	**-16,036**	**<-100**
Current	-22,489		-1,925		-20,564	<-100
Deferred	9,296		4,768		4,528	95.0
Minority Interests	**-675**		**-338**		**-337**	-99.6
Net Income for the Period	**35,481**	**11.5**	**-15,769**	**-17.0**	**51,250**	**>100**

In the 1st quarter of 2014, the consolidated net income of CEMG reached 35.5 million euros, having been favourably influenced by the positive performance of net interest income, which increased by 30.5 million euros year-on-year, as well as due to the significant contribution of Net Trading Income. This performance more than offset the increase in provisions and impairments that stood at 137.9 million euros.

4.1 NET INTEREST INCOME

Net interest income reached 81.9 million euros, representing an increase of 59.5% relative to the 51.3 million euros of the 1st quarter of 2013. The main contribution to such a positive performance, of +30.5 million euros, stemmed from the reduction of costs associated with Financial Liabilities (-24.8 million euros), mainly via the reduction of the average interest rate of Deposits and Other Liabilities, by 29 and 167 basis points, respectively, having thus resulted in an increase in the net interest margin, which stood at 1.56% in the 1st quarter of 2014 (vs. 1.06% in March 2013).

NET INTEREST INCOME AND AVERAGE RATES

(million euros)

	Mar-14 Average Capital	Mar-14 Average Rate	Mar-14 Income / Costs	Mar-13 Average Capital	Mar-13 Average Rate	Mar-13 Income / Costs
Financial Assets	**21,284**	**4.22%**	**222**	**19,574**	**4.47%**	**216**
Credit to Customers	16,608	3.48%	143	16,501	3.68%	150
Other Investments	4,676	4.50%	52	3,072	4.60%	35
Swaps			27			31
Financial Liabilities	**20,602**	**2.75%**	**140**	**18,466**	**3.61%**	**164**
Deposits	13,906	2.38%	82	12,682	2.67%	84
Other Liabilities	6,696	1.86%	31	5,784	3.53%	50
Swaps			27			30
Net Interest Income			**82**			**51**
Net Interest Margin		**1.56%**			**1.06%**	
Euribor 3M - average for period		**0.30%**			**0.21%**	

4.2 OTHER OPERATING INCOME

Net fees reached 24.8 million euros, of which 16.0 million euros are relative to services provided to third parties, namely related to credit operations, securities portfolio, payment cards and demand accounts, having decreased slightly relative to the same period of the previous year, by 2 million euros.

Net trading income reached 199.0 million euros, relative to the 8.3 million euros registered in the same period of the previous year, having benefited from market gains associated to fixed rate assets, by about 209 million euros, as a result of the interest rate risk management strategy of the balance sheet defined by ALCO.

NET TRADING INCOME

(thousand euros)

	Mar-14	Mar-13	Variation	
	Value	Value	Value	%
Gains arising from Assets and Liabilities at Fair Value through Profit or Loss	1,010	-2,836	3,846	>100
Gains arising from Financial Assets Available for Sale	208,705	13,969	194,736	>100
Gains arising from Currency Revaluation	4,918	3,415	1,503	44.0
Other Net Income	-15,663	-6,273	-9,390	<-100
TOTAL	**198,970**	**8,276**	**190,694**	**>100**

The combined increase of Net Interest Income and the Other Operating Income resulted in an increase in Net Operating Income of +214.8 million euros.

4.3 OPERATING COSTS

The economic performance of the 1st quarter of 2014 highlighted an inversion of the Institution's operational efficiency trend, benefiting from the rise in Net Operating Income and a prudent policy of contention of operating costs, notwithstanding the requirement for additional resources stemming from the growth of the operation in Angola.

Operating costs reached a total of 81.7 million euros, representing a growth of 4.1%, due to the increase in General Administrative Overheads and Depreciation. Without considering this last component, growth would have stood at 2.1%. Personnel costs declined by 4% (about 1.9 million euros), in spite of the expansion of the retail operation in Angola and the strengthening of the front-office competencies of the target segments.

EVOLUTION OF OPERATING COSTS

(thousand euros)

	Mar-14		Mar-13		Variation	
	Value	%	Value	%	Value	%
Personnel Expenses	46,000	56.3	47,868	61.0	-1,868	-3.9
Other Operating Expenses	26,508	32.4	23,151	29.5	3,357	14.5
Operating Expenses	**72,508**	**88.8**	**71,019**	**90.5**	**1,489**	**2.1**
Depreciation	9,191	11.2	7,492	9.5	1,699	22.7
Total Operating Expenses	**81,699**	**100.0**	**78,511**	**100.0**	**3,188**	**4.1**
Net Operating Income	**307,603**		**92,774**		**214,829**	**>100**
RATIOS						
Cost-to-Income (Total Operating Expenses / Net Operating Income) (a)	26.56%		84.63%			
Cost-to-Income without Depreciation (Operating Expenses / Net Operating Income)	23.57%		76.55%			

(a) In accordance with Banco de Portugal Instruction No. 23/2012.

4.4 PROVISIONS AND IMPAIRMENTS

Provisions and impairments reached 169.0 million euros, representing an increase of 137.9 million euros relative to the 1st quarter of 2013. This evolution was once again related to prudence and conservatism in the analysis of risk factors, within a context of a high unemployment rate and (still) weak economic growth. The prudence revealed in the assessment of the risk levels of the portfolio will enable CEMG to face the difficult economic context, where uncertainty still prevails, with more comprehensive levels of coverage and economic robustness, which will transmit greater confidence to its stakeholders.

EVOLUTION OF PROVISIONS AND IMPAIRMENTS

(thousand euros)

	Mar-14		Mar-13		Variation	
	Value	%	Value	%	Value	%
Net Credit Provisions and Impairments Charges	149,468	88.4	18,186	58.4	131,282	>100
Net Securities Impairment Charges	18,188	10.8	4,247	13.6	13,941	>100
Net Other Assets Provisions and Impairments Charges	1,362	0.8	8,714	27.9	-7,352	-84.4
Total Net Provisions and Impairments Charges	**169,017**	**100.0**	**31,147**	**100.0**	**137,870**	**>100**

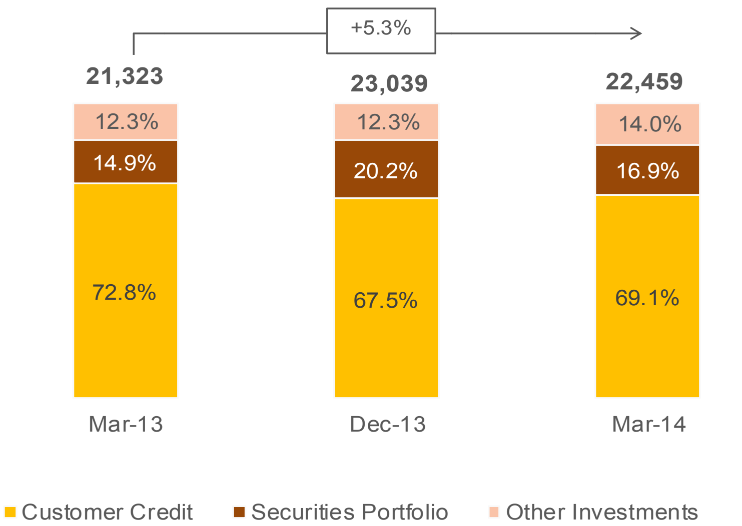
5. ACTIVITY

In the 1st quarter of 2014, the entities of the Montepio Group continued to fulfil their missions of making a contribution to the economic activity of the country, with a focus on customer activities. CEMG has remained faithful to its retail banking mission, by focusing on banking activity operations with customers, granting credit, attracting savings and providing financial services to private individuals, small and medium-sized enterprises and social economy entities, with which it has maintained and established new commercial relations of growing proximity, while at the same time taking advantage of business opportunities in financial markets.

5.1 ASSETS

Net assets reached 22,459.2 million euros, registering an increase of 5.3% relative to the 1st quarter of 2013. This increase was influenced by the increase in the securities portfolio of 19.0%, which represents 16.9% of total assets (14.9% in the 1st quarter of 2013 and 20.2% in December 2013).

EVOLUTION OF THE ASSET STRUCTURE



5.2 CREDIT TO CUSTOMERS

The gradual economic recovery of the country, within a framework of maintenance of the PAEF and the austerity measures in force, associated with the slow recovery of domestic demand for credit continued to condition the evolution of credit granted to customers in the 1st quarter of 2014.

Total credit to customers stood at 16,627.5 million euros, almost unchanged from the same period of the previous year. This evolution reflected an increase in credit granted to corporates (excluding Construction) of almost 500 million euros (+9,2%), which represents 35.4% of the total credit portfolio, and a reduction of Mortgage Loans (Housing and Construction) by about 553 million euros, as a result of the credit portfolio diversification strategy.

EVOLUTION OF CREDIT TO CUSTOMERS

(thousand euros)

	Mar-14	Dec-13	Mar-13	YoY Change	
	Value	Value	Value	Value	%
Households and Small Business	**9,784,326**	**9,872,879**	**10,065,130**	**-280,804**	**-2.8**
Households, of which:	**9,258,607**	**9,349,584**	**9,656,023**	**-397,416**	**-4.1**
Housing	7,612,048	7,688,667	7,919,415	-307,367	-3.9
Individual	634,308	639,818	599,116	35,192	5.9
Small Business	**525,719**	**523,295**	**409,106**	**116,613**	**28.5**
Corporate	**6,808,021**	**6,643,013**	**6,558,441**	**249,580**	**3.8**
Construction	914,470	956,942	1,159,890	-245,420	-21.2
Other Purposes	5,893,551	5,686,071	5,398,551	495,000	9.2
Other Segments	**35,136**	**41,015**	**16,258**	**18,878**	**>100**
Total Credit (gross)	**16,627,483**	**16,556,907**	**16,639,829**	**-12,346**	**-0.1**

The current economic climate continued to have a negative impact on financial activity risks, reflected in the deterioration of non-performing and credit risk ratios, with the balance of credit and interest overdue having increased by 4.8%. Within a framework of a slight reduction of the total credit portfolio, this increase led to a rise in the various credit risk ratios, with the ratio of loans overdue by more than 90 days and the ratio of non-performing loans standing at 5.7% and 7.8%, respectively.

In line with the conservatism policy that still characterises the economic context, CEMG continued to reinforce its impairments for credit risks, which reached the total of 1,202.0 million euros at the end of the 1st quarter of 2014. This provisioning reinforcement raised the ratio of coverage of credit and interest overdue by impairments to 113.0% and the ratio of coverage of credit and interest overdue by more than 90 days to 127.0%. The Simple Coverage of Credit at Risk by impairment stood at 55.1%, whereas the coverage ratio considering total credit impairments and the associated real estate collateral reached 131.3%.

MAIN INDICATORS OF NON-PERFORMING LOANS

(thousand euros)

	Mar-14	Mar-13	Variation	
			Value	%
Gross Customer Credit	**16,627,483**	**16,639,829**	**-12,346**	**-0.1**
Overdue Credit and Interest	**1,063,584**	**1,015,218**	**48,366**	**4.8**
Credit and Interest Overdue by more than 90 days	946,805	889,555	57,250	6.4
Impairment for Credit Risks	**1,202,009**	**942,238**	**259,771**	**27.6**
Ratios (%)				
Credit and Interest Overdue by more than 90 days	5.69	5.35	0.34p.p.	
Non performing loans (a)	7.79	6.95	0.84p.p.	
Non performing loans, net (a)	0.65	1.30	-0.65p.p.	
Credit at Risk (a)	13.06	11.36	1.70p.p.	
Credit at Risk, net (a)	6.32	5.98	0.34p.p.	
Restructured Credit (b)	9.55	6.06	3.49p.p.	
Restructured Credit not included in Credit at Risk (b)	6.81	4.85	1.96p.p.	
Coverage by Impairments (%)				
Credit and Interest Overdue by more than 90 days	126.95	105.92	21.03p.p.	
Overdue Credit and Interest	113.01	92.81	20.20p.p.	
Credit at Risk	55.07	50.37	4.70p.p.	

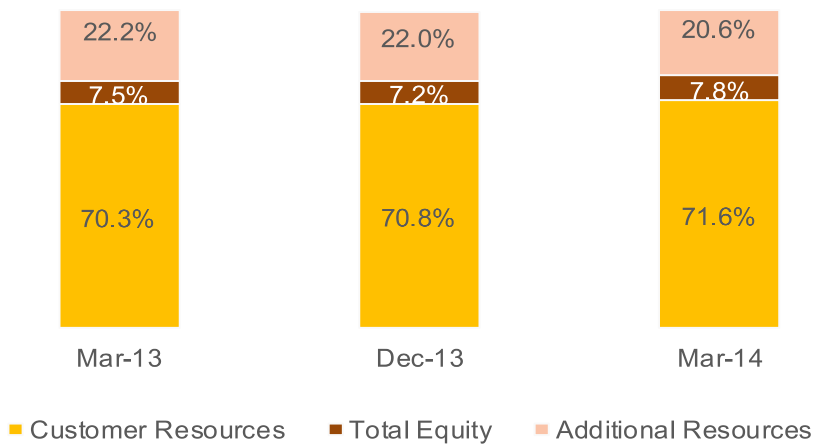
(a) In accordance with Banco de Portugal Instruction No. 23/2012.

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

5.3 LIABILITIES AND EQUITY

In the 1st quarter of 2014, liabilities reached 20 697.7 million euros, which, when compared to the 19,713.2 million euros of the 1st quarter of 2013, represented an increase of 984.5 million euros (+5.0%).

EVOLUTION OF THE LIABILITIES AND EQUITY STRUCTURE



5.4 CUSTOMER RESOURCES

In the 1st quarter of 2014, CEMG continued to display a strong capacity to attract and retain the savings of its customers and associates, with on-balance sheet customer funds (deposits and securities placed with customers) reaching a total of 16,083.0 million euros, corresponding to an increase of 7.2%, increasing its weight in total Liabilities and Equity to 71.6%. The significant increase in total deposits of 12.5% contributed to this evolution.

EVOLUTION OF CUSTOMER RESOURCES

(thousand euros)

	Mar-14	Dec-13	Mar-13	YoY Change	
	Value	Value	Value	Value	%
Deposits from Households and Small Business	**10,166,733**	**10,149,647**	**9,784,330**	**382,403**	**3.9**
Households	9,172,568	9,151,330	8,796,527	376,041	4.3
Small Business Ow ners and Professionals	47,437	50,029	47,299	138	0.3
Non-profit making Instutions	946,727	948,288	940,505	6,222	0.7
Deposits from Corporate	**2,827,398**	**2,756,639**	**1,892,102**	**935,296**	**49.4**
Deposits from Other Segments	**923,589**	**1,132,911**	**695,390**	**228,199**	**32.8**
Total Deposits	**13,917,720**	**14,039,197**	**12,371,822**	**1,545,898**	**12.5**
Securities Placed w ith Customers	2,165,258	2,270,834	2,627,962	-462,704	-17.6
Total Balance Sheet Resources	**16,082,979**	**16,310,031**	**14,999,784**	**1,083,195**	**7.2**
Off-Balance Sheet Resources	**1,040,699**	**1,008,139**	**1,016,571**	**24,128**	**2.4**
Total Resources	**17,123,677**	**17,318,170**	**16,016,354**	**1,107,323**	**6.9**

6. LIQUIDITY

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), from -3,299.1 million euros in the 1st quarter of 2013 to -1,540.2 million euros in the 1st quarter of 2014, with a positive impact in terms of liquidity. A further decrease in the leverage ratio (credit to deposits) was registered, from 126.5% to 111.0%, over the same period. Considering the total balance sheet customer funds, the leverage ratio stood at 96.1%.

LOAN TO DEPOSIT RATIO

	Mar-14	Mar-13
	%	%
Net Credit to Customers / Customer Deposits [a]	**111.02**	**126.48**
Net Credit to Customers / Customer Resources on Balance Sheet [b]	**96.13**	**104.45**

(a) In accordance with Banco de Portugal Instruction No. 23/2012
(b) Customer Resources on the Balance Sheet = Customer Deposits and Securities Placed with Customers

During the 1st quarter of 2014, 275.1 million euros of debt securities (132.8 million euros in the 1st quarter of 2013) were repaid. The medium and long term debt refinancing needs, net of maturing asset securities, stand at only 562 million euros.

At the end of the 1st quarter of 2014, the resources obtained by CEMG from the ECB came to 2,940.0 million euros, corresponding to a reduction of 455 million euros relative to 31 December 2013. The assets eligible for refinancing operations with the Central Bank came to 4,711.521 million euros, as at 31 March 2014, +24.8% than in the same period of the previous year. Of these, 1,771.521 million euros are still available for future funding operations, i.e., there was an increase in the liquidity cushion available at the ECB of 22.6%, relative to the same period of the previous year.

POOL OF ELIGIBLE ASSETS FOR REFINANCING WITH THE ECB

(thousand euros)

	Mar-14		Dec-13		Mar-13		YoY Change	
	Value	%	Value	%	Value	%	Value	%
Pool of Eligible Assets	4,711,521	100.0	5,783,695	100.0	3,774,402	100.0	937,119	24.8
Use of the Pool	2,940,000	62.4	3,395,000	58.7	2,330,000	61.7	610,000	26.2
Pool of Available Assets	**1,771,521**	**37.6**	**2,388,695**	**41.3**	**1,444,402**	**38.3**	**327,119**	**22.6**

7. CAPITAL AND SOLVENCY

The Equity of Caixa Económica (Institutional Capital + Participation Fund) reached a total of 1,697 million euros as at 31 March 2014, presenting the new configuration, from 17 December 2013, which includes the Units of the Participation Fund, in addition to the institutional capital of 1,500 million euros.

In March 2014, Core Tier 1 capital increased by 0.3 percentage points relative to March 2013, resulting from an increase in Equity of 405 million euros, which enabled the coverage of the increase of minimum own funds requirements of 5.8% and obtain a higher Core Tier 1 ratio of 10.8%.

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 phasing-in regime provided for in regulation No. 575/2013 with regards to own funds and sets out 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 phasing-in rules, stood at 11.3%, above the minimum requirement of 7.0% for 2014, while the Total Capital CRD IV reached 13.2%, above the minimum limit of 8%.

OWN FUNDS AND SOLVENCY RATIOS

(thousand euros)

	Mar-14	Dec-13	Mar-13	Variation	
	Value	Value	Value	Value	%
1. Total Own Funds	**1,804,265**	**1,849,276**	**1,838,789**	**-34,525**	**-1.9**
(+) Capital	*1,696,650*	*1,700,000*	*1,295,000*	*+401,650*	*+31.0*
(+) Reserves and Net Income	*-60,431*	*238,195*	*298,885*	*-359,316*	*-120.2*
(-) Regulatory Deductions	*76,576*	*375,960*	*162,661*	*-86,085*	*-52.9*
1.1 (=) Core Tier I Capital	**1,559,644**	**1,562,235**	**1,431,224**	**+128,419**	**+9.0**
(+) Other equity instruments	*8,273*	*8,273*	*15,000*	*-6,727*	*-44.8*
(-) Basic Own Funds Deductions	*12,968*	*11,087*	*17,386*	*-4,418*	*-25.4*
1.2 (=) Basic Own Funds	**1,554,949**	**1,559,421**	**1,428,838**	***+126,111***	**+8.8**
(+) Additional Own Funds	265,450	305,469	423,408	*-157,958*	*-37.3*
(-) Other Deductions	16,135	15,615	13,457	*+2,678*	*+19.9*
2. Minimum Own Funds Requirements	**1,159,394**	**1,135,092**	**1,095,478**	**+63,916**	**+5.8**
3. Risk Weighted Assets and Equivalents (2 x 12.5)	**14,492,422**	**14,188,646**	**13,693,475**	**+798,946**	**+5.8**
4. Ratios					
Solvency (1 / 3)	12.45%	13.03%	13.43%	-0.98 p.p.	
Core Capital (1.1 / 3) (a)	10.76%	11.01%	10.45%	+0.31 p.p.	
Tier 1 (1.2 / 3)	10.73%	10.99%	10.43%	+0.29 p.p.	
CET1 Ratio (CRD IV phasing-in)	11.31%	11.63%	-	-	
CET1 Ratio (CRD IV full)	10.22%	10.01%	-	-	
Total Capital Ratio (CRD IV phasing-in)	13.18%	13.76%	-	-	
Capital Ratio (CRD IV full)	12.19%	12.24%	-	-	

(a) Ratio that establishes a minimum level of capital that institutions must have in accordance with the own funds requirements arising from the risks associated to their activity

With the incorporation of net income for the quarter in the amount of 35 million euros, the Core Tier 1 stands at 11.0% and the Common Equity Tier 1 stands at 11.6% (phasing-in) and 10.5% (fully implemented), respectively, whereas the Total Capital CRD IV ratio stands at 13.4% and 12.5% in the phasing-in and fully implemented versions, respectively.

8. INTERNATIONAL ACTIVITY

The activity developed by the two entities abroad - Banco Montepio Geral Cabo Verde – IFIC and Finibanco Angola, S.A. - continued to demonstrate remarkable growth in the 1st quarter of 2014.

With regards to Montepio Geral Cabo Verde (MGCV), customer deposits reached 586.5 million euros in the 1st quarter of 2014 (504.9 million euros in the 1st quarter of 2013), representing a year-on-year growth of 16.2%. The Net Income of MGCV came to 250.9 thousand euros (89.7 thousand euros in the 1st quarter of 2013), mainly due to the increase in net interest income of +187.7 thousand euros (+112.7%).

In relation to Finibanco Angola, S.A. (FNB-A), it is important to note the remarkable growth in Customer Deposits of 145.6%, reaching 398.5 million euros, as well as in Credit to Customers of 115.8%, totalling 238.6 million euros.
This increase in activity of FNB-A had a direct impact on net interest income, which reached 4.4 million euros (+61.0%) and on commissioning, which stood at 2.2 million euros (+15.9%), resulting in the growth in net operating income of 36.9%, which came to 10.9 million euros. Net income from foreign exchange transactions continued to contribute strongly to the net operating income of FNB-A in the 1st quarter of 2014, reaching a total of 4.1 million euros (+25.8% year-on-year).
Given the phase of the life cycle of the institution, marked by strong growth and additional investment needs, the operating costs of FNB-A registered an increase of 53.9%, corresponding to a total of 3.7 million euros, with the cost-to-income efficiency ratio reaching 33.7%, which is considerably lower than the average of the Angolan banking sector.
In March 2014, there was a net reinforcement of the impairments of the credit portfolios of FNB-A, relative to the same period of the previous year, of + 4.1 million euros, reaching 12.2 million euros.
Net income for the 1st quarter of 2014 of FNB-A came to 3.6 million euros, reflecting an increase of 30.5% relative to the 2.7 million euros recorded in the same period of the previous year, representing 10.1% of consolidated net income.

9. RATINGS

As at 31 March 2014, the ratings attributed to Caixa Económica Montepio Geral by the international agencies Fitch Ratings, Moody's Investors Service and DBRS were as follows:

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

10. SIGNIFICANT EVENTS IN THE 1ST QUARTER OF 2014

- **Communication campaign directed at the corporate segment:** "When your company wins, we all win". This is the concept of the Montepio campaign launched at the end of the 1st quarter of 2014, aimed at reinforcing the visibility of Montepio's commitment to the corporate segment.

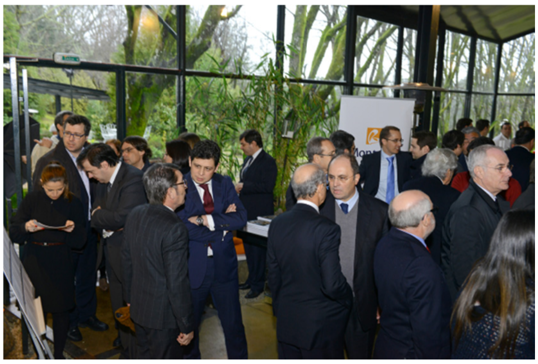
  The multimedia campaign of the Institution's positioning within the business fabric confirms that Montepio is not a bank exclusively directed at the individuals segment, but is equally prepared to satisfy the needs, challenges and ambitions of the corporate sector.

  The key idea of the campaign is precisely that when one meets the needs, projects and dreams of Portuguese entrepreneurs, a value chain is generated that enables not only companies to win but also their employees, respective families, corporate and institutional partners, stakeholders, the economy (at a local, regional and national level) and, ultimately, the country.

  The campaign also promotes national cases of corporate success, revealing that Portuguese companies have, in an adverse context, the capacity to surpass difficulties, generate revenue and create value.

  With people as the focus of this communication - note that the campaign included the participation of Montepio employees, who gave life to the communication formats (with the exception of the television spot) -, three corporate customers of the Institution - Grupo Barraqueiro, Vista Alegre and Full Services - accepted the challenge and revealed, in the first person, the stories behind their success.

- **Montepio promotes companies roadshow throughout the country:** In the 1st quarter of 2014, Montepio, committed to focusing on the proximity to the national business fabric and to create conditions for companies that seek to grow in a sustainable manner, promoted two meetings with entrepreneurs. In the cities of Aveiro and Guimarães, the Executive Board of Directors of CEMG brought together entrepreneurs, mayors and senior managers, establishing contacts and supporting innovation and business ventures.

- **Presence at SISAB 2014:** For the third consecutive time, Montepio was present at the International Fair of the Food and Beverages Sector (SISAB), an event that brought together more than six hundred national exhibitors and more than two thousand international buyers.

  Montepio appeared alongside its corporate customers, confirmed its commitment to their success and presented the products and services it offers to support business internationalisation.

- **Change in the name of Finivalor, S.A.:** Within the framework of the integration and identification of the entities of the former Finibanco SGPS, SA, the name of "Finivalor SA" was changed to "Montepio Valor SA" on 24 January 2014.

- **Montepio Trader:** Creation of new functions in the Montepio Trader platform (electronic negotiation of financial assets), which includes, from 1 April 2014, the option of dealing in CFDs (Contracts for Differences) on the main index of the national stock market, PSI – 20.

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

- ✓ **NYSE Euronext Lisbon Awards**: At the end of January 2014, Montepio was nominated for the NYSE Euronext Lisbon awards in three categories: IPO & Seasoned Equity Offer House; Corporate Bond House and Investment Fund/Open Pension Fund, contributing to the position of Montepio as an institution of reference and partner of Portuguese companies in the access to the capital markets.

- ✓ **Recognition of the quality and performance of the Call Center:** The Contact Center Montepio is listed as one of the finalists of the 2014 edition of the "Best Contact Center Supervisor" award, attributed by the Contact Center World International Association (Global Association for Contact Center Best Practices & Networking).

- ✓ **Communication and marketing strategy:** Montepio was once again listed as one of the nominees for the Marketeer Awards. In the 6th edition of the award, attributed by the Marketeer magazine, the Institution was nominated in the "Banking" category, for the communication and marketing strategy developed in 2013, namely regarding the diversification and innovation of products.

- ✓ **Senior human resources optimisation policy:** CEMG was distinguished by Human Resources Portugal as the company which, at a national level, has the best senior human resources optimisation policy.

11. FINANCIAL STATEMENTS

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

(thousand euros)

	2014			2013
	Gross Assets	Impairment and Depreciation	Net Assets	Net Assets
Assets				
Cash and deposits at central banks	427,064		427,064	314,259
Deposits at other credit institutions	229,515		229,515	233,785
Financial assets held for trading	63,527		63,527	64,106
Other financial assets at fair value through profit or loss	902		902	3,450
Financial assets available for sale	3,680,262	30,471	3,649,791	4,545,816
Other loans and advances to credit institutions	384,040	541	383,499	330,063
Customer credit	16,713,133	1,202,009	15,511,124	15,555,141
Investments held to maturity	83,007		83,007	34,631
Hedging derivatives	596		596	503
Non-current liabilities held for sale	770,403	92,830	677,573	681,388
Investment properties	711,306		711,306	543,534
Other tangible assets	289,058	169,028	120,030	120,492
Intangible assets	120,535	62,320	58,215	59,279
Investments in associates and subsidiaries excluded from consolidation	39,550	341	39,209	42,399
Current tax assets	5,008		5,008	1,832
Deferred tax assets	319,513		319,513	336,264
Other assets	192,792	13,445	179,347	172,261
TOTAL NET ASSETS	**24,030,211**	**1,570,985**	**22,459,226**	**23,039,203**
Liabilities				
Resources from central banks			2,968,037	3,427,354
Financial liabilities held for trading			65,745	62,224
Resources from other credit institutions			629,522	474,497
Resources from customers and other loans			13,984,679	14,142,828
Liabilities represented by securities			2,213,152	2,319,428
Financial liabilities associated with transferred assets			193,910	195,049
Hedging derivatives			1,975	1,849
Provisions			6,984	8,014
Current tax liabilities			7,192	1,353
Other subordinated liabilities			371,924	370,078
Other liabilities			254,560	389,186
TOTAL DO PASSIVO			**20,697,680**	**21,391,860**
CAPITAL				
Capital			1,696,650	1,700,000
Institucional Capital			1,500,000	1,500,000
Participation Fund			200,000	200,000
Own Securities			-3,350	0
Other equity instruments			8,273	8,273
Revaluation reserves			37,069	-11,533
Other reserves and retained earnings			-27,647	238,194
Net income for the year			35,481	-298,626
Minority interests			11,720	11,035
TOTAL DO CAPITAL			**1,761,546**	**1,647,343**
TOTAL DO PASSIVO E CAPITAL			**22,459,226**	**23,039,203**

THE CHARTERED ACCOUNTANT

Luis Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

António Tomás Correia - Chairman

Jorge Humberto Cruz Barros Jesus Luís

Pedro Miguel de Almeida Alves Ribeiro

Fernando Paulo Pereira Magalhães

CONSOLIDATED INCOME STATEMENT AS AT 31 MARCH 2014 AND 2013

(thousand euros)

	2014	2013
Interest and similar income	222,353	216,659
Interest and similar costs	140,475	165,328
Net interest income	**81,878**	**51,331**
Income from equity instruments	34	23
Income from fees and commissions	33,076	32,663
Fees and commissions expenses	8,255	5,819
Earning from assets and liabilities at fair value through profit or loss	1,010	-2,836
Earnings from financial assets available for sale	208,705	13,969
Earnings from currency revaluation	4,918	3,415
Earnings from sale of other assets	-4,952	-2,164
Other net operating income	-8,811	2,192
Net Operating Income	**307,603**	**92,774**
Personnel costs	46,000	47,868
General administrative overheads	26,508	23,151
Depreciation and amortisation	9,191	7,492
Provisions net of adjustments	-301	542
Impaiment of credit net of reversals and recoveries	149,468	18,186
Impairment on other financial assets net of reversals and recoveries	18,189	4,248
Impairment on other assets net of reversals and recoveries	1,662	8,172
Earnings from associates and joint ventures (equity method)	-7,537	-1,389
Profit Before Tax and Minority Interests	**49,349**	**-18,274**
Taxes		
Current	-22,489	-1,925
Deferred	9,296	4,768
Minority Interests	-675	-338
Net Income For The Period	**35,481**	**-15,769**

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

António Tomás Correia - Chairman

Jorge Humbeto Cruz Barros Jesus Luís

Pedro Miguel de Almeida Alves Ribeiro

Fernando Paulo Pereira Magalhães

12. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Caixa Económica Montepio Geral

Consolidated Income Statement
for the 3 months period ended at 31 March de 2014 and 2013

(Thousand of Euro)

	Notes	31 March 2014	31 March 2013
Interest and similar income	2	222 353	216 659
Interest and similar expense	2	140 475	165 328
Net interest income	3	81 878	51 331
Dividends from equity instruments	4	34	23
Fee and comission income	5	33 076	32 663
Fee and comission expense	5	(8 255)	(5 819)
Net losses arising from assets and liabilities at fair value through profit or loss	6	1 010	(2 836)
Net gains/(losses) arising from available for sale financial assets	7	208 705	13 969
Net gains arising from foreign exchange differences	8	4 918	3 415
Net gains from sale of other financial assets	9	(4 952)	(2 164)
Other operating income	10	(8 811)	2 192
Total operating income		307 603	92 774
Staff costs	11	46 000	47 868
General and administrative expenses	12	26 508	23 151
Depreciation	13	9 191	7 492
Total operating costs		81 699	78 511
Loans impairment	14	149 468	18 186
Other financial assets impairment	15	18 189	4 248
Other assets impairment	16	1 662	8 172
Other provisions	17	(301)	542
Operating profit		56 886	(16 885)
Share of profit of associates under the equity method	18	(7 537)	(1 389)
Profit before income tax		49 349	(18 274)
Taxes			
Current	33	(22 489)	(1 925)
Deferred	33	9 296	4 768
Profit for the year		36 156	(15 431)
Profit for the year attributable to			
Institutional capital and participation fund		35 481	(15 769)
Non-controlling interests	50	675	338
Profit for the year		36 156	(15 431)

THE CHARTERED ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Consolidated Balance Sheet as at 31 March, 2014 and 31 December 2013

(Thousand of Euro)

	Notes	31 March 2014	31 December 2013
Assets			
Cash and deposits at central banks	19	427 064	314 259
Loans and advances to credit institutions repayable on demand	20	229 515	233 785
Other loans and advances to credit institutions	21	383 499	330 063
Loans and advances to customers	22	15 511 124	15 555 141
Financial assets held for trading	23	63 527	64 106
Other financial assets held for trading at fair value through profit or loss	24	902	3 450
Financial assets available for sale	25	3 649 791	4 545 816
Hedging derivatives	26	596	503
Financial assets held to maturity	27	83 007	34 631
Investments in associated companies	28	39 209	42 399
Non current assets held for sale	29	677 573	681 388
Investment properties	30	711 306	543 534
Property and equipment	31	120 030	120 492
Goodwill and intangible assets	32	58 215	59 279
Current income tax assets		5 008	1 832
Deferred income tax assets	33	319 513	336 264
Other assets	34	179 347	172 261
Total Assets		22 459 226	23 039 203
Liabilities			
Deposits from central banks	35	2 968 037	3 427 354
Deposits from other credit institutions	36	629 522	474 497
Deposits from customers	37	13 984 679	14 142 828
Debt securities issued	38	2 213 152	2 319 428
Financial liabilities relating to transferred assets	39	193 910	195 049
Financial liabilities held for trading	23	65 745	62 224
Hedging derivates	26	1 975	1 849
Provisions	40	6 984	8 014
Current income tax liabilities		7 192	1 353
Other subordinated debt	41	371 924	370 078
Other liabilities	42	254 560	389 186
Total Liabilities		20 697 680	21 391 860
Equity			
Institucional capital	43 e 44	1 500 000	1 500 000
Participation fund		200 000	200 000
Other capital instruments	45	8 273	8 273
Own securities	48	(3 350)	-
Fair value reserves	47	37 069	(11 533)
Reserves and retained earnings	46 e 47	(27 647)	238 194
Consolidated profit for the year attributable to institutional capital and participation fund		35 481	(298 626)
Total equity attributable to institutional capital and participation fund		1 749 826	1 636 308
Non-controlling interests	50	11 720	11 035
Total Equity		1 761 546	1 647 343
		22 459 226	23 039 203

THE CHARTERED ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

See accompanying notes to the Interim Consolidated Financial Statements

Caixa Económica Montepio Geral

Consolidated Statement of Cash Flows
for the 3 months period ended at 31 March de 2014 and 2013

(Thousand of Euro)

	31 March 2014	31 March 2013
Cash flows arising from operating activities		
Interest income received	190 033	216 059
Commissions income received	(34 547)	30 329
Interest expense paid	(142 792)	(183 740)
Commissions expense paid	(8 255)	(5 237)
Payments to employees and suppliers	(89 553)	(68 807)
Recoveries on loans previously written off	3 967	593
Other payments and receivables	150 740	130 388
	69 593	119 585
(Increase) / decrease in operating assets:		
Loans and advances to credit institutions and customers	(128 149)	177 952
Other assets	(4 615)	(196 372)
	(132 764)	(18 420)
(Increase) / decrease in operating liabilities:		
Deposits from clients	(163 316)	(740 147)
Deposits from credit institutions	157 420	(48 763)
Deposits from central banks	(455 000)	570 000
	(460 896)	(218 910)
	(524 067)	(117 745)
Cash flows arising from investing activities		
Dividends received	34	23
(Acquisition) / sale of trading financial assets	(2 873)	58 775
(Acquisition) / sale of other financial assets at fair value through profit or loss	2 548	2 612
(Acquisition) / sale of available for sale financial assets	890 193	(562 300)
(Acquisition) / sale of hedging derivatives	105	(262)
(Acquisition) / sale of held to maturity investments	(55 807)	(270)
(Acquisition) / sale of shares in associated companies	3 190	1 881
Deposits owned with the purpose of monetary control	(148 814)	63 822
Proceeds from sale of fixed assets	-	-
Acquisition of fixed assets	(173 569)	(533)
	515 007	(436 252)
Cash flows arising from financing activities		
Repurchase of the Share Instruments	(3 350)	-
Proceeds from issuance of bonds and subordinated debt	125 853	567 174
Reimbursement of bonds and subordinated debt	(323 336)	-
Increase / (decrease) in other sundry liabilities	(10 603)	(8 776)
	(211 436)	558 398
Net changes in cash and equivalents	(220 496)	4 401
Cash and equivalents balance at the beginning of the year	395 820	391 419
Net changes in cash and equivalents	(220 496)	4 401
Cash and equivalents balance at the end of the year	175 324	395 820
Cash and equivalents balance at the end of the year includes:		
Cash (note 19)	144 208	156 672
Loans and advances to credit institutions repayable on demand (note 20)	229 515	239 148
Total	373 723	395 820

Caixa Económica Montepio Geral

Consolidated Statement of Changes in Equity
for the three months period ended at 31 March, 2014 and 2013

(Thousands of Euro)

	Total equity	Institucional capital	Participation fund	Other capital instruments	General and special reserves	Fair value reserves	Other fair value reserves	Other reserves and retained earnings	Non-controlling interests
Balance on 31 December, 2012	1 634 970	1 295 000	-	15 000	254 095	(20 290)	18 321	65 887	6 957
Other movements recognised directly in Equity:									
Actuarial losses for the year	(12 444)	-	-	-	-	-	-	(12 444)	-
Deferred taxes related to balance sheet changes accounted for reserves	(2 879)	-	-	-	-	-	-	(2 879)	-
Changes in fair value	5 224	-	-	-	-	5 224	-	-	-
Deferred taxes related to fair value changes	(3 684)	-	-	-	-	(3 684)	-	-	-
Profit for the period	(15 431)	-	-	-	-	-	-	(15 769)	338
Non-controlling interests	224	-	-	-	-	-	-	-	224
Other reserves	3 935	-	-	-	-	-	(1 900)	5 835	-
Costs related to the issue of perpetual subordinated Instruments	(388)	-	-	-	-	-	-	(388)	-
Transfers of reserves:									
General reserve	-	-	-	-	1 101	-	-	(1 101)	-
Balance on 31 March, 2013	1 609 527	1 295 000	-	15 000	255 196	(18 750)	16 421	39 141	7 519
Other movements recognised directly in Equity:									
Actuarial losses for the year	(53 783)	-	-	-	-	-	-	(53 783)	-
Deferred taxes related to balance sheet changes accounted for reserves	(1 899)	-	-	-	-	-	-	(1 899)	-
Changes in fair value	28 212	-	-	-	-	28 212	-	-	-
Deferred taxes related to fair value changes	(6 176)	-	-	-	-	(6 176)	-	-	-
Profit for the period	(280 704)	-	-	-	-	-	-	(282 857)	2 153
Non-controlling interests	1 797	-	-	-	-	-	-	-	1 797
Dividends paid	(1 692)	-	-	-	-	-	-	(1 692)	-
Dividends from Finibanco Angola, S.A.	(434)	-	-	-	-	-	-	-	(434)
Other reserves	(45 405)	-	-	-	-	-	(31 240)	(14 165)	-
Increase in share capital	205 000	205 000	-	-	-	-	-	-	-
Increase in share capital by subscription of Share instruments	200 000	-	200 000	-	-	-	-	-	-
Costs related to the issue of perpetual subordinated Instruments	(373)	-	-	-	-	-	-	(373)	-
Repurchase of perpetual subordinated instruments	(6 727)	-	-	(6 727)	-	-	-	-	-
Transfers of reserves:									
General reserve	-	-	-	-	496	-	-	(496)	-
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
Other movements recognised directly in Equity:									
Deferred taxes related to balance sheet changes accounted for reserves	-	-	-	-	-	-	-	-	-
Changes in fair value	87 299	-	-	-	-	88 075	-	(776)	-
Deferred taxes related to fair value changes	(25 271)	-	-	-	-	(25 271)	-	-	-
Profit for the period	36 156	-	-	-	-	-	-	35 481	675
Non-controlling interests	10	-	-	-	-	-	-	-	10
Other reserves	19 761	-	-	-	-	-	(14 202)	33 963	-
Acquisition of own securities of participation	(3 350)	-	(3 350)	-	-	-	-	-	-
Costs related to the issue of perpetual subordinated Instruments	(402)	-	-	-	-	-	-	(402)	-
Balance on 31 March, 2014	1 761 546	1 500 000	196 650	8 273	255 805	66 090	(29 021)	(247 971)	11 720

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the months ended at 31 March, 2014

(Thousand of Euro)

	31 March 2014		
	Total	**Shareholders of CEMG**	**Non-controlling interests**
Items that may be reclassified into the Income Statement			
Fair value reserve			
Available-for-sale financial assets	88 075	-	-
Taxes	(25 271)	-	(776)
	62 804	-	(776)
Items that won't be reclassified into the Income Statement			
Deferred taxes	(776)	-	-
Costs related to the issue of perpetual subordinated instruments	(402)	-	-
	(1 178)	-	-
Profit for the year	36 156	35 481	675
Total comprehensive income/(loss) for the period	98 960	35 481	(101)

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the months ended at 31 March, 2013

(Thousand of Euro)

	31 March 2013		
	Total	**Shareholders of CEMG**	**Non-controlling interests**
Items that may be reclassified into the Income Statement			
Fair value reserve			
Available-for-sale financial assets	5 224	-	-
Taxes	(3 684)	-	-
	1 540	-	-
Items that won't be reclassified into the Income Statement			
Actuarial losses for the year	(12 444)	-	-
Deferred taxes	(2 879)	-	-
Costs related to the issue of perpetual subordinated instruments	(388)	-	-
	(15 711)	-	-
Profit for the year	(15 431)	(15 769)	338
Total comprehensive income/(loss) for the period	(29 602)	(15 769)	338

Caixa Económica Montepio Geral

Notes to the Consolidated Financial Statements
31 March, 2014

1 Accounting policies

a) Basis of presentation

Caixa Económica Montepio Geral ('CEMG') is a credit institution held by Montepio Geral – Associação Mutualista, established on 24 March, 1844, and authorised to operate in accordance with Decree-Laws no. 298/92 of 31 December, and no. 136/79 of 18 May, which 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 3 months periods ended 31 March, 2014 and 2013.

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 costumers and a leasing portfolio (securities and real estate) in which Finibanco, S.A. is lessor and the fixed assets that materially support the operating leasing activities), and all associated liabilities and provisions.

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July, 2002 and Regulation no. 1/2005 from the Bank of Portugal, Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU') since year 2005. IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and their predecessor bodies. The consolidated financial statements presented herein were approved by the Executive Board of Directors of CEMG on 7 May, 2014. The financial statements are presented in Euro rounded to the nearest thousand.

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

The consolidated financial statements for the three months ended 31 march, 2014 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date and the disclosures in accordance with the requirements set by IAS 34. The financial statements for the three months period ended 31 march, 2014 do not include all the information to be published in the annual financial statements.

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

IFRS 10 - Consolidated Financial Statements

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

In accordance with the transitional provisions of IRFS 10, the Group reassessed the control over its investments at 1 January, 2013, and no impact was determined as a result of this reassessment.

IFRS 11 – Joint Arrangements

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 changes introduce by IFRS 11 did not have any impact in the measurement of assets and liabilities of the Group.

IFRS 12 – Disclosures of Interest in Other Entities

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

The preparation of the financial statements in accordance with IFRS requires the Executive Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, and form the basis for 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 for which assumptions and estimates are considered to be significant are presented in the accounting policy described in note 1 z).

b) Basis of Consolidation

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

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

Investment in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

As from 1 January, 2010, accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognize negative non-controlling interests. Previously, when the accumulated losses of a subsidiary attributable to the non-controlling interest exceeded the equity of the subsidiary attributable to the non-controlling interest, the excess was attributed to the Group and charged to the income statement as it 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 from the date that the Group acquires significant influence until the date it ceases to exist. 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 the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred in a legal 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 and contingent liabilities acquired, depending on the option taken.

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

The recoverable amount of the goodwill is assessed annually, regardless the existence of any impairment triggers. Impairment losses are recognised in the income statement. 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.

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 equity, 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.

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 euros 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 under the full 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 – exchange differences. The exchange differences from hedging instruments related to 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

The balances and transactions between Group's companies, or any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment 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 costumers.

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, being presented in the balance sheet net of 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, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period.

After the initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, can be classified as impaired when there is an objective evidence of impairment as a result of one or more events and when these have 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, being the amount of any loss charged in the income statement. The carrying amount of impaired loans is reduced through the use of an allowance account. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

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

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

The collective impairment loss is determined considering the following factors:

- historical loss experience in portfolios with 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 its identification.

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, 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 analysis allows the Group to recognize the losses whose identification in individual terms only occurs in future periods.

In accordance with 'Carta-Circular' no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralized loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralized is effectively received. 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 is recognised as net interest income.

Trading derivatives with a positive fair value are included in Financial assets held for trading and the trading derivatives with negative fair value are included in 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. The variations of the Group's credit risk related to financial liabilities accounted under the Fair Value Option are disclosed in 'Net gains / (losses) arising from trading and hedging activities'.

The designation of other financial assets and liabilities at fair value through profit and loss 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 to the effective interest rate of each transaction, as well as for accrual of interest of derivatives associated to financial instruments classified as Fair Value Option.

2) Financial assets available for sale

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

3) Investments held-to-maturity

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

Any reclassification or disposal 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

The 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 repurchase of other financial liabilities are recognized as Net gains/(losses) from trading and hedging activities when occurred.

(ii) Impairment

At each balance sheet date, is made an assessment of the existence of objective evidence of impairment. 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 quoted 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% of 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).

(iv) Embedded derivatives

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

e) Derivatives hedge accounting

(i) Hedge accounting

The Group designates derivatives and other 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 revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

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

- the hedge is expected to be highly effective;

- the effectiveness of the hedge can be reliably measured;

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

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

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative and to changes in foreign exchange risk related with the monetary items is 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 recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in the income statement. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are included in the income.

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

An 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 are not 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 recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

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

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised based on the interest rate 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 are considered the following aspects:

- 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, 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:

- when are earned as services are provided, are recognised in income over the period in which the service is being provided;

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

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

n) Fiduciary activities

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

o) 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.

p) Investment property

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

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

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

q) Intangible Assets

Software

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

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 loans and advances to credit institutions.

Cash and cash equivalents exclude restricted balances with Central Banks.

s) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the 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, 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.

v) 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 registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines 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 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.

w) 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.

x) 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.

The measurement of provisions takes into account the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result.

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

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

The provisions are 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 or reinsurance mediation 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.

z) Accounting estimates and judgments in applying accounting policies

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

Considering that in some cases there are several alternatives to the accounting treatment chosen by 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 financial assets available for-sale are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets. According to the Group's policies, 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.

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

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

Impairment losses on loans and advances to customers

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

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

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

Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either 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.

Entities included in the consolidation perimeter

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

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

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

Income taxes

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

Different interpretations and estimates 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.

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:

(Thousands of Euro)

	Mar 2014	**Mar 2013**
Net interest income	81 878	51 331
Net arising from assets and liabilities at fair value through profit and loss and available-for-sale financial assets	209 715	11 133
	291 593	62 464

3 Net interest income

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014			Mar 2013		
	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	128 263	-	128 263	124 644	-	124 644
Interest from other assets	809	-	809	592	-	592
Interest from deposits with banks	265	-	265	167	-	167
Interest from available-for-sale finacial assets	60 457	-	60 457	54 038	-	54 038
Interest from held-to-maturity financial assets	1 075	-	1 075	170	-	170
Interest from hedging derivates	207	-	207	121	-	121
Interest from held for trading financial assets	-	26 893	26 893	-	31 009	31 009
Other interest and similar income	4 384	-	4 384	5 918	-	5 918
	195 460	26 893	222 353	185 650	31 009	216 659
Interest and similar expense:						
Interest from deposits	81 685	-	81 685	83 636	-	83 636
Interest from securities issued	24 178	-	24 178	26 299	-	26 299
Interest from loans	1 104	-	1 104	972	-	972
Interest from other funding	2 493	-	2 493	6 219	-	6 219
Interest from hedging derivates	314	-	314	327	-	327
Interest from held for trading financial assets	-	26 877	26 877	-	30 093	30 093
Other interest and similar expense	3 824	-	3 824	17 782	-	17 782
	113 598	26 877	140 475	135 235	30 093	165 328
Net interest income	81 862	16	81 878	50 415	916	51 331

The balance Interest on loans and advances includes, the amount of Euro 4,963 thousands (31 March 2013: Euro 5,096 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 with banks includes the amount of negative Euro 2,664 thousands regarding the accounting of interest on deposits with increasing interest rates (31 March 2013: negative Euro 3,969 thousands).

4 Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014	**Mar 2013**
Dividends from available-for-sale financial assets	34	23
	34	23

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

5 Net fee and commission income

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014	**Mar 2013**
Fee and commission income:		
From banking services	24 143	23 551
From transactions order by third parties	4 721	4 951
From insurance activity	1 752	1 558
From commitments to third parties	2 236	2 003
Other fee and commission income	224	600
	33 076	32 663
Fee and commission expense:		
From banking services rendered by third parties	7 443	4 679
From transactions with securities	141	118
Other fee and commission expense	671	1 022
	8 255	5 819
Net fee and commission income	24 821	26 844

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

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014			Mar 2013		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Bonds and other fixed income securities						
Issued by public entities	42	-	42	1	-	1
Issued by other entities	48	27	21	12	2	10
Shares	1 062	18 178	(17 116)	1 854	1 329	525
Investment units	-	2 671	(2 671)	35	8	27
	1 152	20 876	(19 724)	1 902	1 339	563
Derivative financial instruments						
Exchange rate contracts	-	20 115	(20 115)	25 007	23 951	1 056
Interest rate contracts	75 497	34 735	40 762	60 861	87 202	(26 341)
Credit default contracts	82	65	17	152	127	25
Others	5 858	6 902	(1 044)	33 803	9 543	24 260
	81 437	61 817	19 620	119 823	120 823	(1 000)
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities issued by other entities	1 089	270	819	580	-	580
	1 089	270	819	580	-	580
Financial liabilities						
Deposits from other credit institutions	59	-	59	112	154	(42)
Deposits from customers	-	44	(44)	130	-	130
Debt securities issued	409	438	(29)	1 106	844	262
Other	2 592	2 283	309	1 291	4 620	(3 329)
	3 060	2 765	295	2 639	5 618	(2 979)
	86 738	85 728	1 010	124 944	127 780	(2 836)

The balance Financial liabilities – Other, includes for financial liabilities instruments arising at fair value, losses in the amount of Euro 1.875 thousands (31 March 2013: Euro 6.949 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:

(Thousands of Euro)

	Mar 2014			Mar 2013		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by public entities	197 057	215	196 842	13 531	315	13 216
Issued by other entities	468	475	(7)	575	811	(236)
Shares	517	-	517	132	13	119
Other variable income securities	11 353	-	11 353	872	2	870
	209 395	690	208 705	15 110	1 141	13 969

As at 31 March 2014, the balance Bonds and other fixed income securities – Issued by public entities includes the amount of Euro 196.819 thousands resulting from the sale of treasury bonds of Portuguese public debt.

8 Net gains/ (losses) from foreign exchange

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014			Mar 2013		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	15 717	10 799	4 918	18 420	15 004	3 416

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/ (losses) arising from sale of other assets

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014	Mar 2013
Sale of other assets	(20)	(422)
Sale of real estate properties	(4 932)	(1 742)
	(4 952)	(2 164)

The balance Sale of real estate 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:

(Thousands of Euro)

	Mar 2014	Mar 2013
Other operating income		
Income from services	1 587	1 622
Reimbursement of expenses	1 757	2 031
Profits arising from deposits on demand management	2 256	3 914
Staff transfer	1 839	2 005
Other	13 549	5 767
	20 988	15 339
Other operating expense		
Indirect taxes	3 429	2 522
Donations and membership	253	97
Contributions to the Deposit Guarantee Fund	773	799
Other operating expenses	25 342	9 729
	29 797	13 147
Other net operating income	(8 809)	2 192

As at 31 March 2014, the balance Other operating income – Staff transfer refers to 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 d) 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 March 2014, the Group recognizes as cost expense for the year the amount of Euro 1,895 thousands (31 March 2013: Euro 1,050 thousands), included in the balance Other operating expenses – Indirect taxes.

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014	**Mar 2013**
Remunerations	32 897	35 947
SAMS contributions	8 869	9 628
Other charges with the pensions fund	2 853	1 128
Other staff costs	1 381	1 165
	46 000	47 868

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014	Mar 2013
Rental costs	7 448	7 452
Specialised services		
IT services	2 601	2 180
Independent work	1 325	1 118
Other specialised services	3 935	3 091
Advertising costs	1 493	1 072
Communication costs	2 100	2 085
Water, energy and fuel	1 005	1 257
Maintenance and related services	1 187	1 009
Transportation	706	883
Insurance	799	618
Travel, hotel and representation costs	541	424
Consumables	481	536
Training costs	40	26
Other supplies and services	2 847	1 400
	26 508	23 151

The balance Rents, includes the amount of Euro 6,366 thousands (31 March 2013: Euro 6,240 thousands) related to rents paid regarding buildings used by the Group as leaser.

13 Depreciation and amortisation

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014	Mar 2013
Intagible assets		
Software	4 776	2 948
	4 776	2 948
Other tangible assets		
Land and buildings	960	1 202
Equipment		
Furniture	211	251
Office equipment	6	26
Computer equipment	1 401	2 199
Interior installations	411	84
Motor vehicles	79	22
Security equipment	260	185
Operational lease	1 051	410
Other tangible assets	36	165
	4 415	4 544
	9 191	7 492

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014	Mar 2013
Other loans and advances to credit instituitions		
Charge for the year	58	-
Write-back for the year	(327)	-
	(269)	-
Loans and advances to costumers		
Charge for the year net of reversals	153 704	19 814
Recovery of loans and interest charged-off	(3 967)	(1 628)
	149 737	18 186
	149 468	18 186

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

15 Other financial assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014	Mar 2013
Impairment for non-current assets held for sale		
Charge for the year	23 558	9 050
Write-back for the year	(5 369)	(4 802)
	18 189	4 248

16 Other assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014	Mar 2013
Impairment for non-current assets held for sale		
Charge for the year	1 856	9 155
Write-back for the year	(1 060)	(587)
	796	8 568
Impairment for other assets		
Charge for the year	2 305	60
Write-back for the year	(1 439)	(456)
	866	(396)
	1 662	8 172

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2014	Mar 2013
Provision for liabilities and charges		
Charge for the year	39	575
Write-back for the year	(340)	(33)
	(301)	542

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:

(Thousands of Euro)

	Mar 2014	Mar 2013
Lusitania Vida, Companhia de Seguros, S.A.	-	523
Montepio Seguros, S.G.P.S., S.A.	361	-
Lusitania, Companhia de Seguros, S.A.	-	(1 827)
Nutre S.G.P.S., S.A.	(7 752)	-
Iberpartners Cafés, S.G.P.S., S.A.	-	23
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	(146)	(108)
	(7 537)	(1 389)

19 Cash and deposits at central banks

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Cash	144 208	180 217
Deposits at central banks		
Bank of Portugal	229 037	87 459
Other deposits at central banks	53 819	46 583
	427 064	314 259

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

20 Loans and advances to credit institutions repayable on demand

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Credit institutions in Portugal	171 487	183 356
Credit institutions abroad	22 722	15 302
Amounts due for collection	35 306	35 127
	229 515	233 785

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 analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Loans and advances to credit institutions in Portugal		
Deposits	1 135	1 135
Loans	-	14 865
Other loans and advances	7 629	4 002
	8 764	20 002
Loans and advances to credit institutions abroad		
Deposits	9 990	9 990
Short term deposits	263 309	186 615
Other loans and advances	101 977	114 266
	375 276	310 871
	384 040	330 873
Impairment for credit risk over credit institutions	(541)	(810)
	383 499	330 063

The main loans and advances to credit institutions in Portugal, as at 31 March 2014, bear interest at an average annual interest rate of 0.26% (31 December 2013: 0.35%).

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

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

(Thousands of Euro)

	Mar 2014	Dec 2013
Initial balance	810	25
Charge for the year	58	1 625
Write-back for the year	(327)	(840)
Final balance	541	810

22 Loans and advances to customers

This balance is analyzed as follows:

(Thousands of Euro)

	2013	2012
Domestic loans		
Corporate		
Loans	2 299 354	2 419 920
Commercial lines of credits	1 288 966	1 296 183
Loans represented by securities	646 066	596 275
Finance leases	383 194	374 122
Discounted bills	107 635	112 777
Factoring	74 839	76 554
Overdrafts	65 431	55 754
Other loans	1 178 432	1 055 583
Retail		
Mortgage loans	8 201 724	8 281 270
Finance leases	79 409	64 624
Consumer and other loans	1 085 717	1 104 246
	15 410 767	15 437 308
Foreign loans		
Corporate	178 536	109 887
Retail	55 308	55 306
	15 644 611	15 602 501
Correction value of assets subject to the hedge		
Other credits	4 938	5 135
Overdue loans and interest		
Less than 90 days	116 779	121 666
More than 90 days	946 805	877 365
	1 063 584	999 031
	16 713 133	16 606 667
Impairment for credit risks	(1 202 009)	(1 051 526)
	15 511 124	15 555 141

As at 31 March 2014, the balance Loans and advances to customers includes the amount of Euro 2,725,513 thousands (31 December 2013: Euro 2.718.554 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.

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 IFRS 10, according with the accounting policy described in note 1 b).

Securitization transactions engaged by Group refer to mortgage loans, consumer loans, leases, commercial paper and corporate loans. The securitization transactions are set through specifically created SPE. As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated. 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.

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

The balance Financial leases, by the period to maturity as at 31 March 2014, is analyzed as follows:

(Thousands of Euro)

	Finance leases			
	Due within 1 year	**1 year to 5 years**	**Over 5 years**	**Total**
Outstanding rents	75 755	269 758	166 281	511 794
Outstanding interest	(16 142)	(66 270)	(33 627)	(116 039)
Residual Values	10 798	18 061	37 989	66 848
	70 411	221 549	170 643	462 603

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

(Thousands of Euro)

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

(Thousands of Euro)

	Mar 2014	**Dec 2013**
Asset-backed loans	507 553	500 663
Other guarantee loans	277 538	255 474
Unsecured loans	223 609	191 801
Public sector loans	695	90
Foreign loans	7 081	6 086
Finance leases loans	47 108	44 917
	1 063 584	999 031

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

(Thousands of Euro)

	Mar 2014	Dec 2013
Corporate		
Construction / Production	232 956	224 435
Investment	225 995	199 332
Treasury	336 538	306 764
Other loans	9 109	7 198
Retail		
Mortgage loans	107 527	111 223
Consumer credit	57 426	56 420
Other loans	53 620	54 001
Public sector	-	90
Other segments	40 413	39 568
	1 063 584	999 031

The impairment for credit risks is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Initial balance	1 051 526	922 284
Charge for the year net of reversals	149 737	307 064
Recovery of loans and interest charged-off	(9 248)	(315 552)
Transfers	9 994	137 730
Final balance	1 202 009	1 051 526

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

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

In compliance with note 1 c), loans and advances to customers are charged-off when there are no expectations, 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 analysis of the loans charged-off, by type of credit, is as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Asset-backed loans	2 562	32 460
Other guarateed loans	1 448	125 739
Unsecured loans	5 238	157 353
	9 248	315 552

The recovered loans and overdue interest, performed during 1 January and 31 March 2014 and 2013, includes the amount of Euro 3,967 thousands and Euro 1,628 thousands, related with the recovery of asset-backed loans, as referred in note 14.

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

(Thousands of Euro)

	Mar 2014	Dez 2013
Financial assets held for trading:		
Securities		
Shares	11 204	7 809
Bonds	608	584
	11 812	8 393
Derivatives		
Derivatives financial instruments with positive fair value	44 907	48 142
Loans and other receivables	6 808	7 571
	51 715	55 713
	63 527	64 106
Financial liabilities held for trading:		
Securities		
Short sales	1 731	1 389
Derivatives		
Derivatives financial instruments with negative fair value	64 014	60 835
	65 745	62 224

The balance Derivatives financial instruments with positive fair value includes the amount of Euro 11,781 thousands (31 December 2013: Euro 33,278 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 56 thousands (31 December 2013: Euro 196 thousands).

The balance Derivatives financial instruments with negative fair value includes the amount of Euro 9,041 thousands (31 December 2013: Euro 23,299 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 2,062 thousands (31 December 2013: Euro 2,161 thousands).

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

The book value of the assets and liabilities at fair value through profit or loss as at 31 March 2014, is as follows:

(Thousands of Euro)

		Mar 2014						
		Derivative			Related asset/liability			
Derivative	**Related financial asset / liability**	**Notional**	**Fair value**	**Changes in the fair value in the year**	**Fair value**	**Changes in the fair value in the year**	**Book Value**	**Reimbursement amount at maturity date**
Interest rate swap	Secutities issued	549 506	1 349	(4 314)	7 857	(7 250)	292 866	299 708
Interest rate swap	Deposits	136 800	(1 475)	(314)	(3 341)	2 022	63 275	339 168
Interest rate swap	Resources	197 718	8 526	(1 424)	8	(420)	69 821	60 000
Interest rate swap	Covered bonds	10 913 635	(4 497)	(24)	-	-	-	-
Interest rate swap	Loans and advances	50 000	(2 041)	(76)	1 863	75	25 346	25 000
Interest rate swap	Other	7 930 876	(25 918)	(5 055)	-	-	-	-
Currency swap	-	345 381	4 360	4 750	-	-	-	-
Forwards	-	25 272	13	16	-	-	-	-
Options	-	441 828	498	30	-	-	-	-
Credit Default Swaps	-	22 000	78	(3)	-	-	-	-
		20 613 016	(19 107)	(6 414)	6 387	(5 573)	451 308	723 876

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

(Thousands of Euro)

		Dec 2013						
		Derivative			Related asset/liability			
Derivative	**Related financial asset / liability**	**Notional**	**Fair value**	**Changes in the fair value in the year**	**Fair value**	**Changes in the fair value in the year**	**Book Value**	**Reimbursement amount at maturity date**
Interest rate swap	Secutities issued	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 and advances	50 000	(1 965)	747	1 788	(687)	24 646	25 000
Interest rate swap	Others	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

24 Other financial assets at fair value through profit or loss

This balance is analyzed as follows:

	Mar 2014	**Dec 2013**
Bond issued by other issuers		
Foreign	902	3 450

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

25 Financial assets available for sale

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014				
		Fair value reserve			
	Cost [1]	**Positive**	**Negative**	**Impairment Losses**	**Book Value**
Fixed income securities					
Issued by public entities					
Portuguese	1 978 431	95 994	(3 804)	-	2 070 621
Foreign	50 858	4 738	(1 318)	(8 415)	45 863
Issued by other entities					
Portuguese	622 630	6 911	(23 285)	-	606 256
Foreign	546 288	25 698	(5 347)	(4 446)	562 193
Commercial paper	5 797	-	-	(998)	4 799
Variable income securities					
Shares					
Portuguese	17 659	336	(16)	(6 463)	11 516
Foreign	13 076	2 388	(59)	(3 251)	12 154
Investment fund units	346 095	5 712	(8 520)	(6 898)	336 389
	3 580 834	141 777	(42 349)	(30 471)	3 649 791

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

(Thousands of Euro)

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

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

As 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 47. 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 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, 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.

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

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

(Thousand of Euro)

	Mar 2014	Dec 2013
Initial balance	39 266	38 948
Charge for the year	23 558	68 881
Write-back for the year	(5 369)	(34 859)
Charged-off	(26 984)	(33 704)
Final balance	30 471	39 266

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 99,428 thousands (31 December 2013: negative Euro 11,352 thousands) and impairment amounts to Euro 30,471 thousands (31 December 2013: Euro 39,266 thousands).

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

(Thousands of Euro)

	Mar 2014			Dec 2013		
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Fixed income securities						
Issued by public entities						
Portuguese	2 070 621	-	2 070 621	3 053 183	-	3 053 183
Foreign	45 863	-	45 863	23 088	-	23 088
Issued by other entities						
Portuguese	575 511	30 745	606 256	554 196	30 100	584 296
Foreign	497 545	64 648	562 193	310 642	-	310 642
Commercial paper	-	4 799	4 799	-	30 773	30 773
Variable income securities						
Shares						
Portuguese	1 571	9 945	11 516	9 095	4 594	13 689
Foreign	11 811	343	12 154	11 910	343	12 253
Investment fund units	336 389	-	336 389	516 620	1 272	517 892
	3 539 311	110 480	3 649 791	4 478 734	67 082	4 545 816

26 Hedging derivatives

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	**Dec 2013**
Asset		
Interest rate swap	596	503
Liability		
Interest rate swap	1 975	1 849

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

The Group performs periodical effectiveness tests of the hedging relationships.

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

(Thousands of Euro)

	Mar 2014	Dez 2013
Deposits from other credit institutions	(150)	(209)
Financial assets available for sale	1 416	1 478
	1 266	1 269

27 Held-to-maturity investments

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Fixed income securities:		
Bonds issued by Portuguese public entities	6 215	6 149
Bonds issued by foreign public entities	76 792	28 482
	83 007	34 631

The Group assessed, with reference to 31 March 2014, the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 31 March 2013 are analyzed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity Date	Interest Rate	Book Value
OT - Outubro 05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3,35%	6 215
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3,25%	5 085
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3,50%	2 043
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3,75%	2 022
Buoni Poliennali del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3,75%	1 994
OT Angola 12/18-07-2014	July, 2012	July, 2014	Fixed rate of 6,98%	1 144
OT Angola 12/18-07-2014	July, 2012	July, 2014	Fixed rate of 6,98%	1 146
OT Angola 12/25-07-2014	July, 2012	July, 2014	Fixed rate of 6,98%	3 714
OT Angola 12/25-07-2014	July, 2012	July, 2014	Fixed rate of 6,99%	3 710
OT Angola 13/04-12-2015	December, 2013	December, 2015	Fixed rate of 7,00%	3 809
OT Angola 13/04-12-2016	December, 2013	December, 2016	Fixed rate of 7,25%	3 812
OT Angola 13/15-11-2015	November, 2013	November, 2015	Fixed rate of 5,00%	24 682
OT Angola 13/15-11-2016	November, 2013	November, 2016	Fixed rate of 5,00%	19 005
OT Angola 13/15-11-2017	November, 2013	November, 2017	Fixed rate of 5,00%	4 575
OT Cabo Verde 13/28-04-2016	April, 2013	April, 2016	Fixed rate of 5,50%	51
				83 007

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

During the periods of 3 months ended March 31, 2014 and 2013, the Group did not transfer to or from this assets category.

28 Investments in associated companies

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2012
Investments in associated companies		
Montepio Seguros, S.G.P.S., S.A.	25 935	22 031
Nutre S.G.P.S., S.A.	8 973	15 936
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 281	3 412
Iberpartners Cafés S.G.P.S., S.A.	1 020	1 020
Pinto & Bulhosa, S.A.	191	191
Naviser – Transportes Marítimos Internacionais, S.A.	150	150
Unquoted	39 550	42 740
Impairment of investments in associated companies and other	(341)	(341)
	39 209	42 399

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

(Thousands of Euro)

	Assets	Liabilities	Equity	Income	(Loss) for the year	Acquisition cost
31 March 2014						
Montepio Seguros, S.G.P.S., S.A.	n.d.	n.d.	88 069	n.d.	1 074	65 100
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	42 756	26 352	16 404	882	(729)	3 200
Iberpartners Cafés S.G.P.S., S.A.	n.d.	n.d.	n.d.	n.d.	n.d.	1 000
Nutre S.G.P.S., S.A.	129 293	131 170	(1 877)	29 264	(38 878)	22 018
31 December 2013						
Montepio Seguros, S.G.P.S., S.A.	998 162	924 847	73 315	248 293	(23 864)	65 100
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	43 416	26 357	17 059	8 200	(1)	3 200
Iberpartners Cafés S.G.P.S., S.A.	5 117	1 644	3 473	151	79	1 000
Nutre S.G.P.S., S.A.	173 314	140 377	32 937	8 868	(9 654)	22 018

(Thousands of Euro)

	Percentage held		Book value		Associated companies net profit	
	Mar 2014 %	Dec 2013 %	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Montepio Seguros, S.G.P.S., S.A.	33,65%	33,65%	22 031	22 031	361	(7 926)
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20%	20%	3 412	3 412	(146)	-
Iberpartners Cafés S.G.P.S., S.A.	29,41%	29,41%	1 020	1 020	-	23
Nutre S.G.P.S., S.A.	20%	20%	8 973	15 936	(7 752)	(1 931)
Pinto & Bulhosa, S.A.	16%	16%	-	-	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20%	20%	-	-	-	-

The movements for this balance are analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Initial balance	42 740	61 177
Acquisitions	-	65 100
Associated companies net profit	(7 537)	(12 682)
Fair value reserve from associates	4 347	(31 774)
Dividends received	-	(944)
Disposals	-	(38 137)
Final balance	39 550	42 740

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.

29 Non-current assets held for sale

This balance is analyzed as follows.

(Thousands of Euro)

	Mar 2014	Dec 2013
Investments arising from recovered loans	770 403	773 540
Impairment for non-current assets held for sale	(92 830)	(92 152)
	677 573	681 388

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

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

(Thousands of Euro)

	Mar 2014	Dec 2013
Initial balance	773 540	521 849
Acquisitions	55 475	458 304
Sales	(58 539)	(207 351)
Other movements	(73)	738
Final balance	770 403	773 540

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

(Thousands of Euro)

	Mar 2014	Dec 2013
Initial balance	92 152	30 054
Impairment for the year	1 856	71 885
Write-back for the year	(1 060)	(9 787)
Loans charged-off	(118)	-
Final balance	92 830	92 152

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", "Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular" and "Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto", which are fully consolidated, according to the accounting policy described in note 1 b).

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

31 Property and equipment

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2014
Cost		
Land and buildings		
For own use	34 661	34 577
Leasehold improvements in rented buildings	52 754	52 695
Construction in progress	20 847	21 968
Equipment		
Furniture	21 902	21 796
Office equipment	3 359	3 354
Computer equipment	84 411	84 367
Interior installations	21 395	21 359
Motor vehicles	4 935	4 803
Security equipment	7 683	7 678
Other equipment	5	5
Works of art	2 869	2 869
Assets in operacional lease	27 829	25 653
Assets in finance lease	38	38
Other tangible assets	2 440	2 439
Work in progress	3 930	2 038
	289 058	285 639
Accumulated depreciation		
Charge for the year	(4 415)	(19 737)
Accumulated charge for the previous years	(164 613)	(145 410)
	(169 028)	(165 147)
	120 030	120 492

32 Intangible assets

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Cost		
Software	59 338	59 307
Revaluation and consolidation differences (Goodwill)	53 024	53 024
Other intangible assets	4 279	5 609
Work in progress	3 894	216
	120 535	118 156
Accumulated depreciation		
Charge for the year	(4 776)	(13 615)
Accumulated charge for the previous years	(31 032)	(18 750)
	(35 808)	(32 365)
Impairment for intangible assets	(26 512)	(26 512)
	58 215	59 279

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).

According to the accounting policy described in note 1 b), the recoverable amount of the Goodwill is annually assessed, regardless of the existence of impairment triggers or, in accordance with the paragraph 9 of the IAS 36, every time there are indicators that the asset might be impaired.

This intangible asset does not have finite useful life, so that, as referred in accounting policy described in note 1 b) and 1 z), 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.

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 v) are eligible for the recognition of deferred taxes.

Deferred income tax assets and liabilities as at 31 March 2014 and 31 December 2013 are analyzed as follows:

(Thousands of Euro)

	Assets		Libilities		Net	
	Mar 2014	**Dec 2013**	**Mar 2014**	**Dec 2013**	**Mar 2014**	**Dec 2013**
Financial instruments	14 203	17 784	(47 508)	(25 872)	(33 305)	(8 088)
Other tangible assets	21	(24)	(351)	(421)	(330)	(445)
Provisions	225 844	195 784	-	-	225 844	195 784
Benefits to employees	39 269	40 063	-	-	39 269	40 063
Others	1 072	1 151	(63)	(3 926)	1 009	(2 775)
Tax losses carried forward	87 026	111 725	-	-	87 026	111 725
Net deferred tax assets/(liabilities)	367 435	366 483	(47 922)	(30 219)	319 513	336 264

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

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

As a result of the Law no. 2/2014 of 16 January, several amendments were made to the Income Tax 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 analyzed as follows:

	Mar 2014 %	Dec 2013 %
Income tax (a)	23,0%	23,0%
Municipal surtax rate	1,5%	1,5%
State tax rate	5,0%	5,0%
Total (b)	29,5%	29,5%

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

The 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.

Deferred tax balance movements were recognized as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Initial balance	336 264	265 454
Charged to profit	9 296	85 448
Charged to reserves and retained earnings	(26 047)	(14 638)
Final balance (Asset/ (Liability))	319 513	336 264

Tax recognized in the income and reserves for the periods ended 31 March, 2014 and 31 December, 2013 is analyzed as follows:

(Thousands of Euro)

	Mar 2014		Dec 2013	
	Charged to results	**Charged to reserves**	**Charged to results**	**Charged to reserves**
Financial instruments	-	(25 217)	-	(8 088)
Other tangible assets	115	-	-	40
Provisions	31 061	(1 001)	42 555	-
Post-employment benefits	(39)	(755)	909	(2 556)
Others	2 858	926	(2 490)	(4 034)
Tax losses carried forward	(24 699)	-	44 474	-
Deferred taxes	9 296	(26 047)	85 448	(14 638)
Current taxes	(22 489)	-	(9 469)	-
Total recognized tax	**(13 193)**	**(26 047)**	**75 979**	**(14 638)**

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 analyzed as follows:

(Thousands of Euro)

	Mar 2014		Dec 2013	
	%	Amount	%	Amount
Profit before taxes		49 349		(372 452)
Banking levy		-		5 109
Profit before tax for the tax reconciliation		49 349		(367 343)
Statury tax rate	23,0		25,0	
Income tax calculated based on the statury tax rate		11 350		(91 836)
Non deductible costs	(52,2)	25 738	(50,7)	186 332
Tax-exempt profits	0,1	(45)	9,3	(34 097)
Utilization of tax losses	47,0	(23 199)	-	-
Autonomous taxation and other taxes	(23,7)	11 691	(2,6)	9 469
Other	25,0	(12 342)	(1,7)	6 111
Tax for the year	(26,7)	13 193	(20,4)	75 979

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 analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Recoverable subsidies from Portuguese Government	6 641	8 111
Other debtors	109 778	122 190
Other accrued income	6 511	8 998
Prepayments and deferred costs	4 378	2 448
Sundry debtors	65 484	42 246
	192 792	183 993
Impairment for other assets	(13 445)	(11 732)
	179 347	172 261

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 March 2014 and 31 December 2013, the balance Recoverable subsidies from the Portuguese Government is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Recoverable subsidies from the Portuguese Government unliquidate	812	3 381
Subsidies unclaimed	2 492	762
Overdue subsidies unclaimed	3 337	3 968
	6 641	8 111

The balance Sundry debtors includes, as at 31 March 2014, the amount of Euro 17,309 thousands (31 December 2013: 8,027 Euro thousands) refer to transactions with securities recorded on trade date and pending settlement.

The balance Sundry debtors also includes the amount of Euro 1,286 thousands (31 December 2013: Euro 1,572 thousands) relating to net assets recognized in balance sheet and representing the excess coverage of pension liabilities, health benefits and death subsidies.

The impairment for other assets is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Initial balance	11 732	3 636
Impairment for the year	2 305	1 654
Write-back for the year	(1 439)	(2 470)
Transfers	847	8 912
Final balance	13 445	11 732

35 Deposits from central banks

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

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

(Thousands of Euro)

	Mar 2014	Dec 2013
Up to 3 months	1 640 057	1 768 860
More than 6 months	1 327 980	1 658 494
	2 968 037	3 427 354

36 Deposits from other financial institutions

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014			Dec 2013		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal	11 953	84 747	96 700	143	53 321	53 464
Deposits from credit institutions abroad	225 259	307 563	532 822	40 668	380 365	421 033
	237 212	392 310	629 522	40 811	433 686	474 497

As at 31 March 2014, this balance includes the amount of Euro 70,499 thousands (31 December 2013: Euro 71,094 thousands) related to deposits at fair value through profit or loss.

37 Deposits from customers

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014			Dec 2013		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	213 826	2 149 375	2 363 201	256 309	2 233 635	2 489 944
Time deposits	-	11 479 358	11 479 358	-	11 497 167	11 497 167
Saving accounts	-	128 384	128 384	-	130 589	130 589
Other items	10 395	-	10 395	19 765	-	19 765
Adjustments arising from hedging operations	3 341	-	3 341	5 363	-	5 363
	227 562	13 757 117	13 984 679	281 437	13 861 391	14 142 828

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 March 2014 and 31 December 2013, this balance includes the amount of Euro 374,226 thousands related to deposits recognized on the balance sheet at fair value through profit or loss.

38 Debt securities issued

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Euro Medium Term Notes(EMTN)	131 421	357 803
Bonds	2 046 964	1 717 872
Covered bonds	-	80
Commercial paper	34 767	243 673
	2 213 152	2 319 428

As at 31 March 2014, this balance includes the amount of Euro 211,261 thousands (31 December 2013: Euro 273,233 thousands) related to debt securities issued recognized at the balance sheet at fair value through profit or loss.

During 2014, the Group issued Euro 125,813 thousands (31 December 2013: Euro 1,515,987 thousands) of debt securities and performed the refund of Euro 323,336 thousands (31 December 2013: Euro 1,250,588 thousands).

Under the Issuance of covered bonds program, which maximum amount is Euro 5,000 million, the Group proceed to the emissions which totalized Euro 2,000 million. The main characteristics of these issues are as follows:

(Thousands of Euro)

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 2S	1 000 000	1 000 456	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 2,725,513 thousands in 31 March, 2014 (31 December 2013: Euro 2,718,554 thousands), according with note 22.

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 March 2014, for the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.5% and 11.92% (31 December 2013: 0.5% and 16.76%).

39 Financial liabilities relating to transferred assets

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Pelican Mortgages No. 3	190 360	194 287
Others	3 550	762
	193 910	195 049

40 Provisions

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Other provisions for liabilities and charges	6 984	8 014

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

(Thousands of Euro)

	Mar 2014	Dec 2013
Initial balance	8 014	14 292
Charge for the year	39	3 444
Write-back for the year	(340)	(248)
Transfers	(729)	(9 474)
Final balance	6 984	8 014

41 Other subordinated debt

As at 31 March 2014, the mainly characteristics of the Other subordinated debt, are analyzed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book Value
CEMG/06	Apr.2006	Abr.2016	50 000	Euribor 3 months+0.95%	26 140
CEMG/08	Fev.2008	Fev.2018	150 000	Euribor 6 months+1.5%	120 784
CEMG/08	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.5%	18 267
CEMG/08	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.5%	120 489
FNB 08/18 1ª/2ª Série	Dec.2008	Dez.2018	10 363	Euribor 6 months+0.15% (iv)	10 419
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*VN Min.(quote) (iii)	239
FNB Grandes empresas 07/16_ 1ª série	May.2007	Mai.2016	1 745	Max.(0;6.0%*(1-n/5)) (i)	2 139
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	22 602	Max.(0;6.0%*(1-n/5)) (i)	23 115
FNB Indices estratégicos 07/17 1ª série	May.2007	Jun.2015	13 207	6.25%*VN Min.(quote) (ii)	13 391
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2011	Jun.2015	26 629	6.25%*VN Min.(quote) (ii)	28 508
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16 550	Tx base+0,90% (*barrier level*)	15 718
					379 209
				Corr. Liability value	(7 285)
					371 924

As at 31 March 2014 the effective interest rate range of the subordinated debt bears postponed interest every three and six months is set between 0.30% and 2.02% (31 December 2013: 0.86% and 2.084%).

References:

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

Coupon	Interest rate/range
1º Coupon	5,50%
2º Coupon	5,50%
3º Coupon	Max [0; 6.0% * (1-n/3)]
4º Coupon	Max [0; 6.0% * (1-n/4)]
5º Coupon	Max [0; 6.0% * (1-n/5)]
6º Coupon	Max [0; 6.0% * (1-n/6)]
7º Coupon	Max [0; 6.0% * (1-n/7)]
8º Coupon	Max [0; 6.0% * (1-n/8)]
9º Coupon	Max [0; 6.0% * (1-n/9)]

Notes:

where, n is the accumulated number of reference entities in which a credit event has occurred

If a merge between two or more reference entities had occur and if a credit event occur in the merged entity, it will be accounted many credit events as the number of merged companies.

(ii) - The payment will be annually and it will be equal:

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

*** if not = 0%, where:

Barreira 3 = Barrier to be applied on 3rd cupon = 0%;
Barreira 5 = Barrier to be applied on 5th cupon = 2%;
Barreira 6 = Barrier to be applied on 6th cupon = 3%;
Barreira 7 = Barrier to be applied on 7th cupon = 4%;
Barreira 8 = Barrier to be applied on 8th cupon = 5%;
Barreira k = Barrier to be applied on k*cupon
SDk – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) on observation date K (K=1 to 6)
SD0 – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) at beginning date
SXk – Closing of Eurostoxx50 Total Return (Bloomberg: SX5T) on observation date K (K=1 a 6)
SX0 – Closing of Eurostoxx50 Total Return (Bloomberg: SX5T) at beginning date
HSk – Closing of HS60 Europe (Bloomberg: HS60EU) on observation date K (K=1 a 6)
HS0 – Closing of HS60 Europe (Bloomberg: HS60EU) at beginning date

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

n/N * 5% +m/N * 1%

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

Note:

Range is defined on the following table for each coupon:

Period	Coupon date	Range
1st semester	09-Dec-05	[1,60; 2,75%]
2nd semester	09-Jun-06	[1,60; 3,00%]
3rd semester	09-Dec-06	[1,60; 3,25%]
4th semester	09-Jun-07	[1,60; 3,50%]
5th semester	09-Dec-07	[1,60; 3,50%]
6th semester	09-Jun-08	[1,70; 3,75%]
7th semester	09-Dec-08	[1,70; 3,75%]
8th semester	09-Jun-09	[1,70; 4,00%]
9th semester	09-Dec-09	[1,80; 4,00%]
10th semester	09-Jun-10	[1,80; 4,25%]
11th semester	09-Dec-10	[1,80; 4,25%]
12th semester	09-Jun-11	[1,80; 4,50%]
13th semester	09-Dec-11	[1,90; 4,50%]
14th semester	09-Jun-12	[1,90; 4,50%]
15th semester	09-Dec-12	[1,90; 4,50%]
16th semester	09-Jun-13	[1,90; 4,50%]
17th semester	09-Dec-13	[2,00; 4,50%]
18th semester	09-Jun-14	[2,00; 4,50%]
19th semester	09-Dec-14	[2,00; 4,50%]
20th semester	09-Jun-15	[2,00; 4,50%]

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

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

42 Other liabilities

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Creditors		
Suppliers	10 564	16 065
Other creditors	61 479	150 369
Public sector	19 953	23 586
Holiday pay and subsidies	29 647	37 270
Other administrative costs payable	2 855	732
Deferred income	3 243	70 971
Other sundry liabilities	126 819	90 193
	254 560	389 186

The balance Other sundry liabilities includes the amount of Euro 22,113 thousands, related to the calculation of payable income tax.

Aditionally, The balance Other sundry liabilities includes the amount of Euro 6,128 thousands (31 December 2013: Euro 68,208 thousands) engaged to balances of banking and financial transactions pending settlement.

43 Institutional capital

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

On 26 September 2013, following the General Assembly deliberation, CEMG increased the institutional 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 institutional capital of Caixa Económica Montepio Geral in the amount of Euro 50,000 thousands, by cash transfer.

After the referred operation, the institutional capital of CEMG, amounts Euro 1,500,000 thousands totally subscribed by “Montepio Geral – Associação Mutualista”, and is fully paid.

44 Participation fund

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

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

Caixa Económica Montepio Geral issued 200.000.000 securities with the face amount of Euro 1, which will be nominated and ordinary.

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 institutional capital, considering its specific characteristics, namely the non obligation of payment of the nominal amount and interests.

So, the classification as Institutional capital results from the fact if the investor, as owner of the issued security, is exposed to the risk of participation fund 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 2014, the Group did not repurchased perpetual subordinated instruments (2013: Euro 6,727 thousands). After this operations, as at 31 March 2014 and 31 December 2013 the balance Other equity instruments presents the amount of Euro 8,273 thousands.

Payment

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

1st to 4th coupon: 7.00%;

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

Payment interest limitations

The Issuer will be prevented from making interest payment:

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

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

The Issuer is also prevented from proceeding to the interest payment if, in the Executive Board of Directors or Bank of Portugal opinion, this payment 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 analyzed in note 47.

47 Fair value reserves, other reserves and retained earnings

This balance is analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Fair value reserves		
Available-for-sale financial assets		
Gross Amount	99 428	11 352
Taxes	(33 339)	(8 066)
Others	(29 020)	(14 819)
	37 069	(11 533)
Reserves and retained earnings:		
General	187 532	187 532
Portuguese	68 273	68 273
Other reserves	48 750	49 324
Retained earnings	(332 022)	(66 935)
	(27 467)	238 194

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 fair value reserve can be analyzed as follows:

(Thousands of Euro)

	Mar 2014	Dec 2013
Amortised cost of available-for-sale financial assets	3 580 834	4 573 730
Accumulated impairment recognised	(30 471)	(39 266)
Amortised cost of available-for-sale financial assets, net impairment	3 550 363	4 534 464
Fair value of available-for-sale financial assets	3 649 791	4 545 816
Net/ unrealised gains/(losses) recognised in the fair value reserve	99 428	11 352

48 Own securities

This balance includes participation fund units held by the companies included in the consolidation perimeter and is present as follows:

(Thousands of Euro)

	Mar 2014
Net book value	3 350
Number of participation fund units	3 349 674
Average book value (Euro)	1,00

49 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.

50 Non – controlling interests

This balance is analyzed as follows:

(Thousands of Euro)

	Balance Sheet		Income Statement	
	Mar 2014	Dec 2013	Mar 2014	Mar 2013
Finibanco Angola S.A.	11 720	11 035	675	338
	11 720	11 035	675	338

The movements of this balance are analyzed as follows:

(Thousands of Euro)

	Mar 2014	**Dec 2013**
Initial balance	11 035	6 957
Exchange differences	10	562
Dividends	-	(434)
Other	-	1 797
	11 045	8 882
Goodwill arising on consolidation	-	-
Net income attributable to non-controlling interests	675	2 153
Final balance	11 720	11 035

51 Obligations and future commitments

Obligations and future commitments are analyzed as follows:

(Thousands of Euro)

	Mar 2014	**Dec 2013**
Guarantees granted	476 314	483 544
Guarantees received	31 674 547	31 521 321
Commitments to third parties	1 982 342	1 949 361
Commitments from third parties	96 300	82 802
Securitised loans	1 331 456	1 342 664
Securities and other items held for safekeeping on behalf of costumers	9 031 885	7 919 199
	44 592 844	43 298 891

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

(Thousands of Euro)

	Mar 2014	Dec 2013
Guarantees granted:		
Guarantees	460 094	471 714
Open documentary credits	15 791	6 962
Guarantees and indemnities (counter)	429	4 868
	476 314	483 544
Commitments to third parties:		
Irrevocable commitments		
Irrevocable credit lines	522 380	391 689
Securities subscription	801 801	801 801
Annual contribution to the Guarantee Deposits Fund	25 314	25 314
Potencial obligation with the Investors' Indemnity System	3 507	3 508
Revocable commitments	-	
Revocable credit lines	629 340	727 049
	1 982 342	1 949 361

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

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

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

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

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

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

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

52 Segmental reporting

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 and Angola (International Area)

Segments description

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

Retail Bank

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

Corporate and Institutional

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

Other segments

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

Allocation criteria of the activity and results to the operating segments

The consolidated financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information analyzed by the decision makers of 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 March 2014, is as follows:

(Thousands of Euro)

Income statement indicators	**Retail**	**Corporate and institutional**	**Operations between segments**	**Total**
Interest and similar income	98 953	122 098	1 302	222 353
Interest and similar expense	66 510	38 571	35 394	140 475
Net interest income	32 443	83 527	(34 092)	81 878
Dividends from equity instruments	-	-	34	34
Fees and commissions income	16 306	5 138	11 632	33 076
Fees and commissions expense	(352)	(33)	(7 870)	(8 255)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	1 010	1 010
Net gains/(losses) arising from available-for-sale financial assets	-	-	208 705	208 705
Net gains arising from foreign exchange differences	-	-	4 918	4 918
Net gains from sale of other financial assets	-	-	(4 952)	(4 952)
Other operating income	1 460	300	(10 571)	(8 811)
Total operating income	49 857	88 932	168 814	307 603
Staff costs	33 803	7 745	4 452	46 000
General and administrative expenses	18 126	4 831	3 551	26 508
Depreciation and amortisation	6 284	1 675	1 232	9 191
Total operating costs	58 213	14 251	9 235	81 699
Total of Provisions and Impairment	12 655	136 511	19 852	169 018
Operating profit	(21 011)	(61 830)	139 727	56 886
Equity accounted earnings	-	-	(7 537)	(7 537)
Income before taxes and non-controlling interests	(21 011)	(61 830)	132 190	49 349
Current taxes	-	-	(22 489)	(22 489)
Deferred taxes	-	-	9 296	9 296
Non-controlling interests	-	-	(675)	(675)
Consolidated profit for the year attributable to MGAM	(21 011)	(61 830)	118 322	35 481
Net Assets	13 033 172	5 554 895	3 871 159	22 459 226
Liabilities	13 314 678	850 477	6 532 525	20 697 680
Investments in Associates	-	-	39 209	39 209

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

(Thousands of Euro)

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	13 745 828	3 111 396	4 534 636	21 391 860
Investments in Associates	-	-	42 399	42 399

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 March 2014, the net contribution of the main geographical segments is as follows:

(Thousands of Euro)

Income statement indicators	**Domestic**	**International**	**Adjustments**	**Consolidated**
Interest and similar income	214 892	13 696	(6 235)	222 353
Interest and similar expense	137 780	8 930	(6 235)	140 475
Net interest income	77 112	4 766	-	81 878
Dividends from equity instruments	34	-	-	34
Fees and commissions income	30 774	2 302	-	33 076
Fees and commissions expense	(8 128)	(127)	-	(8 255)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	1 010	-	-	1 010
Net gains/(losses) arising from available-for-sale financial assets	208 705	-	-	208 705
Net gains arising from foreign exchange differences	804	4 114	-	4 918
Net gains from sale of other financial assets	(4 952)	-	-	(4 952)
Other operating income	(8 839)	169	(141)	(8 811)
Total operational income	296 520	11 224	(141)	307 603
Staff costs	44 502	1 498	-	46 000
General and administrative expenses	24 875	1 774	(141)	26 508
Depreciation and amortisation	8 777	414	-	9 191
Total operating costs	78 154	3 686	(141)	81 699
Loans impairment	147 403	2 065	-	149 468
Other financial assets impairment	18 189	-	-	18 189
Other assets impairment	1 543	119	-	1 662
Other provisions	(301)	-	-	(301)
Operating profit	51 532	5 354	-	56 886
Share of profit of associates under the equity method	(7 537)	-	-	(7 537)
Income before taxes and non-controlling interests	43 995	5 354	-	49 349
Current taxes	(21 046)	(1 443)	-	(22 489)
Deferred taxes	9 296	-	-	9 296
Non-controlling interests	(675)	-	-	(675)
Consolidated profit for the year attributable to MGAM	31 570	3 911	-	35 481

(Thousands of Euro)

Balance sheet indicators	**Domestic**	**International**	**Adjustments**	**Consolidated**
Cash and deposits at central banks	349 850	77 214	-	427 064
Loans and advances to credit institutions repayable on demand	263 561	9 944	(43 990)	229 515
Other loans and advances to credit institutions	316 771	675 126	(608 398)	383 499
Loans and advances to customers	15 282 358	228 766	-	15 511 124
Financial assets held for trading	63 527	-	-	63 527
Other financial assets at fair value through profit or loss	902	-	-	902
Financial assets available-for-sale	3 649 615	176	-	3 649 791
Hedging derivatives	596	-	-	596
Held-to-maturity investments	17 359	65 648	-	83 007
Investments in associated companies and others	78 058	-	(38 849)	39 209
Non- current assets held for sale	677 424	149	-	677 573
Investment properties	711 306	-	-	711 306
Other tangible assets	84 524	35 506	-	120 030
Intangible assets	56 832	1 383	-	58 215
Current tax assets	146	4 862	-	5 008
Deferred tax assets	319 513	-	-	319 513
Other assets	169 578	9 769	-	179 347
Total Assets	22 041 920	1 108 543	(691 237)	22 459 226
Deposits from central banks	2 968 037	-	-	2 968 037
Deposits from other credit institutions	1 233 173	10 915	(614 566)	629 522
Deposits from customers	13 015 396	1 003 402	(34 119)	13 984 679
Debt securities issued	65 745	-	-	65 745
Financial liabilities associated to transferred assets	2 213 152	-	-	2 213 152
Financial liabilities held for trading	193 910	-	-	193 910
Hedging derivatives	1 975	-	-	1 975
Provisions	6 458	526	-	6 984
Current tax liabilities	1 707	5 485	-	7 192
Deferred tax liabilities	-	-	-	-
Other subordinated debt	375 626	-	(3 702)	371 924
Other liabilities	244 238	10 322	-	254 560
Total Liabilities	20 319 417	1 030 650	(652 387)	20 697 680
Share capital	1 700 000	40 130	(40 130)	1 700 000
Other equity instruments	4 572	3 701	-	8 273
Own Securities	(3 350)	-	-	(3 350)
Fair value reserves	46 861	(26)	(9 766)	37 069
Other reserves and retained earnings	(57 819)	30 172	-	(27 647)
Profit for the period	32 242	3 913	(674)	35 481
Total Equity attributable to CEMG	1 722 506	77 890	(50 570)	1 749 826
Non-controlling interests	11 720	-	-	11 720
Total Equity	1 734 226	77 890	(50 570)	1 761 546
Total Liabilities and Equity	22 053 643	1 108 540	(702 957)	22 459 226

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

(Thousands of Euro)

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 attributable to MGAM	(310 943)	12 594	(277)	(298 626)

(Thousands of Euro)

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 liabilities	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)	(10 988)	(11 533)
Other reserves and retained earnings	208 605	18 097	11 492	238 194
Profit for the period	(310 943)	12 594	(277)	(298 626)
Total Equity attributable to MGAM	1 574 859	70 219	(8 770)	1 636 308
Non-controlling interests	11 035	-	-	11 035
Total Equity	1 585 894	70 219	(8 770)	1 647 343
Total Liabilities and Equity	22 702 989	1 003 766	(667 552)	23 039 203

53 Subsidiary companies

As at 31 March 2014, 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, S.A. (IFI)	Praia	Euros 8 996 000	Banking	100,00%
Montepio Holding, S.G.P.S., 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 March 2014, the companies included in the consolidated accounts under the equity method are as follows:

Subsidiary Company	Head of office	Share Capital	Activity	% Held
Montepio Seguros, S.G.P.S., S.A.	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 investment funds under full consolidation in the Group are presented as follows: “Finipredial - Fundo de Investimento Aberto”, “Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional”, “Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional”, “Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional”, “Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular” and “Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto”, as referred in the accounting policy described in note 1 b).

54 Subsequent events

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