



INTERIM REPORT FIRST SEMESTER 2015



Montepio

CAIXA ECONÓMICA

CONTENTS

GOVERNING SYSTEM	3
KEY INDICATORS	5
1. THE CAIXA ECONÓMICA MONTEPIO GERAL GROUP	7
1.1 Group Structure	7
1.2 Brand and Sustainability.....	8
1.3 Human Resources.....	14
1.4 Distribution Network and Relations	15
2. MACROECONOMIC OVERVIEW	17
3. EVOLUTION OF ACTIVITY BY BUSINESS AREAS	22
3.1 Retail Banking (Consolidated Activity)	22
3.2 Investment Banking.....	28
3.3 Investment Funds' Management.....	29
3.4 Specialised Credit	30
3.5. International Activity	31
4. BALANCE SHEET AND PROFIT ANALYSIS	32
4.1 Balance Sheet	32
4.2 Results.....	37
4.3 Rating	41
5. RISK ANALYSIS	41
6. MAIN RISKS AND UNCERTAINTIES FOR THE SECOND SEMESTER	47
7. FINANCIAL STATEMENTS, EXPLANATORY NOTES, STATEMENTS AND AUDIT REPORTS	48
7.1 Consolidated Financial Statements and Explanatory Notes	48
7.2 Individual Financial Statements and Explanatory Notes.....	216
7.3 Statement of Compliance submitted by the Executive Board of Directors	349
7.4. Compliance with the Recommendations of the Financial Stability Forum (FSF) and the Committee of European Banking Supervisors (CEBS), regarding transparency of information and asset valuation	350

GOVERNING SYSTEM

After the entry into force of the new Articles of Association of Caixa Económica Montepio Geral (hereinafter referred to as «CEMG»), in 2013, the first stage of the process of separation of CEMG's governing bodies in relation to its parent company - Montepio Geral Associação Mutualista (MGAM) took place, maintaining the identity of annexation of CEMG and the inherent coordination and connection of strategic principles between the two institutions. During this stage, the rules of inherence were maintained between various bodies of the two entities, with the members elected to the Board of the General Meeting, Supervisory Board and Board of Directors of MGAM, also being members, by inherence, of the General and Supervisory Board of CEMG.

The structure and members of the governing bodies of CEMG since January 2013 and as at 30 June 2015 were as follows:

GENERAL MEETING

BOARD OF THE GENERAL MEETING

Chairman	VITOR JOSÉ MELÍCIAS LOPES
1st Secretary	ANTÓNIO DIAS SEQUEIRA
2nd Secretary	MARIA LEONOR L. GONÇALVES DE OLIVEIRA GUIMARÃES

GENERAL AND SUPERVISORY BOARD

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

EXECUTIVE BOARD OF DIRECTORS

Chairman	ANTÓNIO TOMÁS CORREIA
Members	JORGE HUMBERTO BARROS LUÍS
	PEDRO MIGUEL DE ALMEIDA ALVES RIBEIRO
	FERNANDO PAULO PEREIRA MAGALHÃES
	JOÃO CARLOS MARTINS DA CUNHA NEVES

REMUNERATION COMMITTEE

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

STATUTORY AUDITOR

KPMG, represented by Jean-éric Gaign - Statutory Auditor number 1013

REVIEW OF THE ARTICLES OF ASSOCIATION AND REFORMULATION OF THE GOVERNANCE SYSTEM

With a view to continuing the process of modernisation of the governance system, deepening the separation of the governance of the two entities – MGAM and CEMG, which was started in 2013, meeting new regulatory requirements and achieving greater alignment with best practices in this field, the review of the new Articles of Association of CEMG was promoted, with a Committee having been appointed for the purpose, at the General Meeting of 1 April 2015.

As a result of this Committee's work, CEMG's General Meeting approved statutory amendments, on 26 May 2015, which led to a reshaping of its governance system, including new bodies, changes in the process of election of its members and in its composition. CEMG's governance bodies were thus instituted as follows:

GENERAL MEETING
BOARD OF THE GENERAL MEETING
GENERAL AND SUPERVISORY BOARD
EXECUTIVE BOARD OF DIRECTORS
REMUNERATION COMMITTEE
ASSESSMENT COMMITTEE
RISK COMMITTEE
STATUTORY AUDITOR

In the second semester of 2015, on 5 August, CEMG's General Meeting elected the members of the new bodies, and started the process of assessment and subsequent registration at Banco de Portugal, which, on the closing date of this report, had been completed for the new members of the Executive Board of Directors, who took office on 7 August 2015.

MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS (since 7 August 2015)

CEO - JOSÉ MANUEL FÉLIX MORGADO
1st Member - JOÃO CARLOS MARTINS DA CUNHA NEVES
2nd Member - LUÍS GABRIEL MOREIRA MAIA ALMEIDA
3rd Member - FERNANDO FERREIRA SANTO
4th Member - JOÃO BELARD DA FONSECA LOPES RAIMUNDO
5th Member - JORGE MANUEL VIANA DE AZEVEDO PINTO BRAVO
6th Member - LUÍS MIGUEL RESENDE DE JESUS

KEY INDICATORS

(thousand euros)

INDICATORS	Jun.15	Dec.14	Jun.14*
ACTIVITY AND RESULTS			
Net Assets	22,146,845	22,473,474	22,357,566
Gross Credit to Customers	16,306,673	16,540,943	16,750,894
Total Deposits	13,125,488	14,242,679	14,314,511
Deposits of Individuals	9,143,059	9,244,146	9,173,909
Deposits of Companies and Institutions	3,982,429	4,998,533	5,140,602
Net Income	-28,909	-186,953	6,209
SOLVENCY			
Common Equity Tier 1 Ratio (CRD IV phasing-in)	9.53%	8.51%	10.48%
Tier 1 Ratio (phasing-in)	9.53%	8.51%	10.48%
Total Capital Ratio (CRD IV phasing-in)	10.62%	8.67%	12.04%
LEVERAGE RATIOS			
Total Net Credit to Customers / Customer Deposits (a)	113.39%	106.46%	108.03%
Total Net Credit to Customers / Total On-Balance Sheet Customers' Resources (b)	99.80%	92.50%	93.10%
CREDIT RISK AND COVERAGE BY IMPAIRMENT			
Ratio of Credit and Interest Overdue by more than 90 days	7.47%	6.13%	5.96%
Non-Performing Loans Ratio (a)	8.79%	7.42%	8.41%
Net Non-Performing Loans Ratio (a)	-0.04%	-1.00%	0.66%
Coverage of Credit and Interest Overdue by more than 90 days	118.68%	136.65%	131.68%
Credit-at-Risk Ratio (a)	13.37%	12.03%	13.82%
Net Credit-at-Risk Ratio (a)	4.98%	4.02%	6.52%
Credit-at-Risk Coverage Ratio	66.04%	69.35%	56.49%
Credit-at-Risk Coverage Ratio, including associated mortgage-backed guarantees	130.70%	136.50%	129.90%
Restructured Credit as a % of Total Credit (c)	10.43%	10.49%	9.59%
Restructured Credit not included in Credit-at-Risk as a % of Total Credit (c)	5.46%	6.89%	6.42%
PROFITABILITY AND EFFICIENCY			
Operating Income / Average Net Assets (a)	2.58%	3.48%	4.25%
Earnings before Tax and Minority Interests / Average Net Assets (a)	-0.52%	-0.92%	0.17%
Earnings before Tax and Minority Interests / Average Equity (a)	-7.92%	-12.55%	2.26%
Operating Expenses / Operating Income (cost-to-income) (a)	60.77%	43.56%	34.63%
Personnel Expenses / Operating Income (a)	35.68%	24.75%	19.97%
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees - Total of the Group	4,434	4,425	4,212
Employees - CEMG	3,906	3,907	3,894
Branches - Portugal	436	436	436
Branches - Abroad	30	27	17
Representation Offices	6	6	6

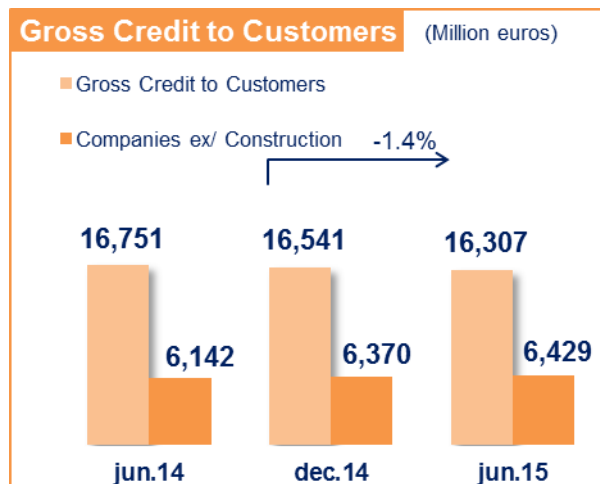
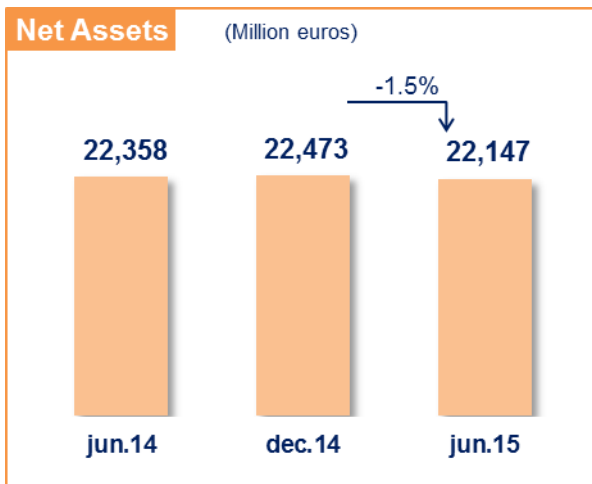
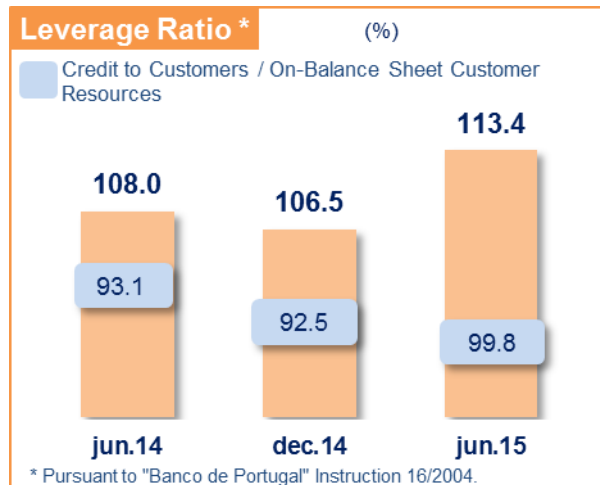
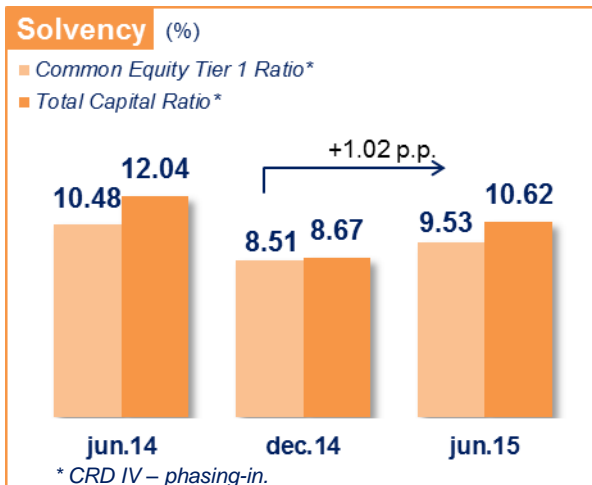
(a) In accordance with Banco de Portugal Instruction 16/2004.

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

(c) In accordance with Banco de Portugal Instruction 32/2013.

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

EVOLUTION OF THE KEY INDICATORS

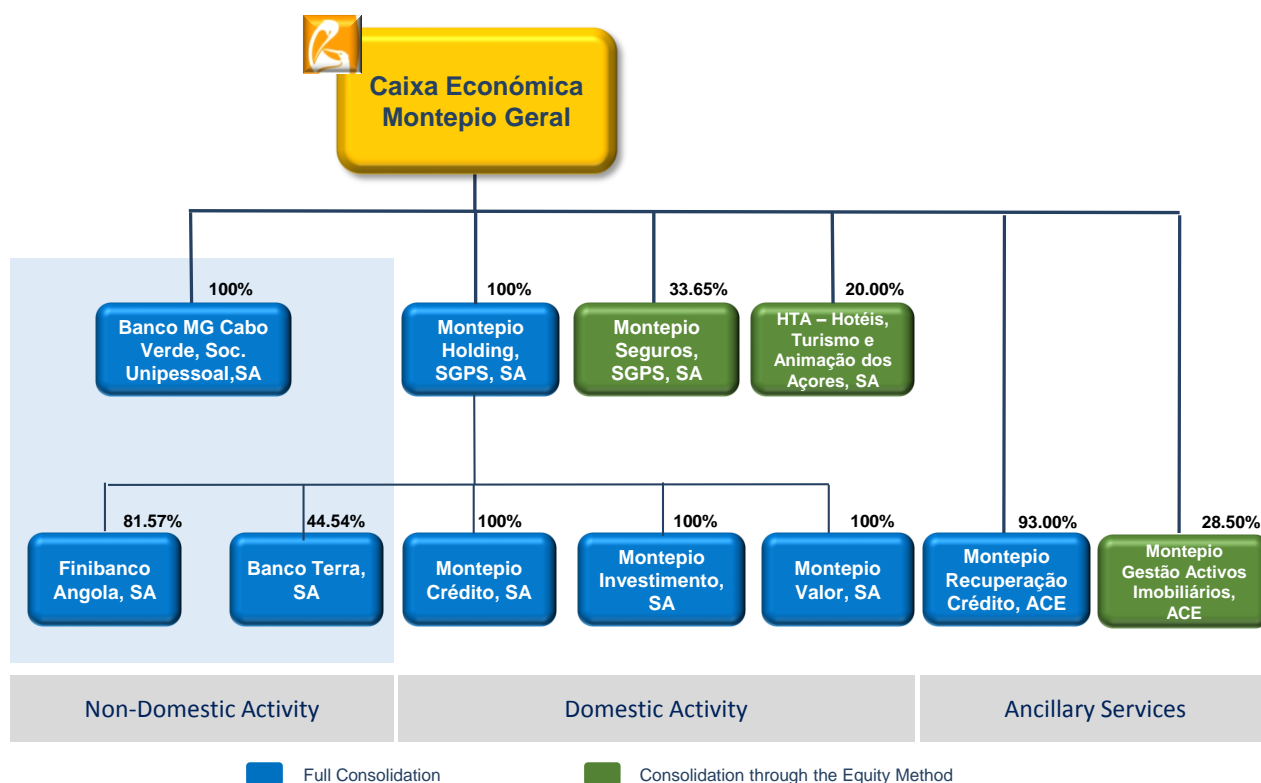


1. THE CAIXA ECONÓMICA MONTEPIO GERAL GROUP

1.1 Group Structure

This report presents the individual and consolidated accounts, and reports the consolidated performance, of the Caixa Económica Montepio Geral (CEMG) Group: the set of institutions in which CEMG holds qualifying holdings (see accounting note) and/or management control.

The CEMG Group is, in turn, integrated in the Montepio Group, owned by Montepio Geral Associação Mutualista (MGAM). Collectively, these entities not only offer a broad and diversified range of banking and financial products and services, but also contribute with their earnings to the mutualist goals. The CEMG Group presents itself as one of the most differentiated banking and financial groups of the national and European financial sector in view of its mutual origins, nature and goals, which give it unique characteristics and an unmatched position in its sector and in the Portuguese society.



Apart from CEMG (on an individual basis), the CEMG Group is composed of a further 3 domestic entities: Montepio Crédito, Instituição Financeira de Crédito, S.A., Montepio Investimento, S.A. and Montepio Valor, Sociedade Gestora de Fundos de Investimento, S.A. – incorporated under Montepio Holding, SGPS, S.A. and fully owned by CEMG. In the domestic market, CEMG also has two small qualifying holdings in Montepio Seguros, SGPS, S.A. and in HTA-Hotéis, Turismo e Animação dos Açores, S.A., whose accounts are partially consolidated through the equity method. At an international level, CEMG holds majority holdings in Banco MG - Cabo Verde, Sociedade Unipessoal, S.A. and in Finibanco Angola, S.A. In December 2014, CEMG completed the acquisition of a stake in Banco Terra in Mozambique, where it now holds management control. The CEMG Group also consolidates the Complementary Groupings of Companies: Montepio Recuperação de Crédito, ACE (Full Consolidation) and Montepio Gestão de Ativos Imobiliários, ACE.

1.2 Brand and Sustainability

Throughout the first half of 2015, CEMG continued to develop the Montepio brand, as a guarantor of a rigorous and quality service, based on the Group's values, which firmly include the defence of social solidarity and sustainability.

Brand

The defence of the mutualist values and transparent, rigorous and competent action have contributed to the growing number of Caixa Económica Montepio Geral customers, who benefit from a transversal and integrated offer of products and services, advocating in favour of the brand and boosting the consolidation of its positioning.

Reputation

The Montepio brand was considered by *Meaningful Brands Portugal 2015*, an initiative promoted by the *Havas Media Group*, the most relevant in the Finance & Insurance sector. The analysis was based on the answers of 11,200 individuals about 96 brands from 11 different sectors. This distinction reflects the Institution's concern with its customers, accomplished in the follow-up provided, in the detection of trends and in the role that it has consistently played, throughout its entire history, in the Portuguese society.

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



Distinction of the quality of the supplementary channels

Regarding the supplementary channels, the brand continued to conquer the market and receive distinctions which placed it among the best.

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



The Individuals Net24 service, Montepio's Homebanking platform, conquered the Five-Star Award 2015 in the "Internet Banking" category, with an overall classification of 8.57 (maximum of 10), having been considered by consumers as 'very good – really Five-Star'. The overall classification was the result of the very positive assessments that Portuguese consumers made of its service features: satisfaction, price-quality, intention of recommendation, confidence in the brand and innovation.



Sustainability

Throughout the first half of 2015, Montepio continued its policy and measures encouraging socially responsible practices aimed at harmonious, balanced and sustainable development in the medium and long term. In this regard, we highlight the actions in various areas, from support to the Social Economy to incentives boosting entrepreneurship, as well as promotion of culture and internal voluntary activities.

Support to the Social Economy

The social economy and its stakeholders operate in an increasingly broader group of the Portuguese population, acting as economic and social agents of vital importance. CEMG, as an active and innovative partner in the social sphere, fosters the sustainability of the regions in which it operates, revealing an important protagonism in its stimulation. Following this drive, in the first semester of 2015, CEMG continued to strengthen its positioning as a reference financial institution and strategic partner, not only in its support to financial needs but also in the search of solutions for social innovation and practices towards greater sustainability and capacity-building, namely encouraging institutions to implement measures to assess social impact and seek new forms of social investment. Through its specialised unit for this sector (Institutional Relations for the Third Sector - RITS), CEMG has built bridges between its customers, the Group's areas of social responsibility and different organisations falling under the umbrella of the social economy, thus enabling the diversification of the offer according to market needs. The various collaboration protocols established with these entities have contributed to this end.

In the direct support offered to the social economy, we highlight important actions of support, stimulation and dissemination of the institutions and their work, in particular the following:

- Minuto Solidário (Solidarity Minute)** - Continuing the project started in 2011, a ceremony was held to hand over the 1 and 3 minute films produced in 2014 to the Private Social Solidarity Institutions (IPSS) involved. The delivery was preceded by a training session for social sector entities dedicated to the topic of 'Communication and Marketing in a Non-Profit Organisation';
 
- +Vida Card** - The +Vida credit card enables supporting a social solidarity institution whenever it is used. When the customer does not indicate the entity wished to be supported, Montepio is entrusted with defining the institutions that shall receive the contributions. During the first six months of 2015, the entities selected to receive the contributions were the Liga Portuguesa Contra a Sida (Portuguese League Against AIDs); Novamente - Associação de Apoio aos Traumatizados Crânio Encefálicos e Famílias (Association of Support to Persons with Traumatic Brain Injury and their Families); APCL - Liga Portuguesa Contra a Leucemia (Portuguese League Against Leukaemia).
 

Likewise, in 2015, CEMG sponsored and participated in various events aimed at entities of the social economy, addressing current and important subjects, such as the 'II Social Responsibility Meeting', the 'National Meeting of Institutions' and the '7th Fundraising Seminar'. CEMG also took part in the 'Portuguese Social Investment Working Party' and organised, in partnership with RedeMut, an information session on European Structural and Investment Funds (ESIF) held in the Montepio



Auditorium, under the title 'Portugal 2020 – funding opportunities for Mutualist Associations'. CEMG also sponsored the 'Active Senior Citizens' Conference organised by Santa Casa da Misericórdia do Porto, and the 'Insular Congress of the Misericórdias', held in Funchal.

The support to enterprises also extended to other spheres, in particular the first edition of the *Montepio Runner Corporate Edition*, which involved around 70 companies, held at the Jamor Stadium, in the Lisbon region. Combining competitiveness with solidarity, the Montepio Runner Corporate Edition raised over 7 thousand euros in favour of the Salvador Association, specifically to accomplish a project to support the employment of physically disabled persons, developed by this entity.

In the area of entrepreneurship, CEMG continued to promote and develop its role in supporting innovative and promising projects, which has been widely recognised as a key aspect to combat unemployment, create jobs and contribute to the country's economic productivity and growth.

In this context, the Montepio Microcredit solution presents two truly unique factors which differentiate it: the existence of specialised managers, who accompany the entrepreneurs from the embryonic phase of the business idea onwards, and the equally important role played by specific tutors in the preparation of business plans and follow-up of the first project implementation phase.



Support to the Economy of the Sea

Regarding the economy of the sea, the following initiatives portraying the amplitude of Montepio's sponsorships should be highlighted:

- First Edition of the Blue Business Forum – In June, Montepio was present at the most important event linked to the economy of the sea held in Portugal: the Blue Business Forum, in the context of the European Blue Week. The objective of this event was to call attention to the strong significance of the economy of the sea, having involved over 200 exhibitors and 25 conferences, organised visits to around 70 countries, B2B meetings and the tasting of delicacies of the sea. This event, organised by the Portuguese Industrial Association (AIP), was heavily supported by the Ministry of Agriculture and the Sea, and enabled Montepio to publicise its offer for the sector, as well as its offer linked to International Business;
- Montepio Peniche Paddle Series – Peniche Paddle Series once again received the main sponsorship from Montepio and, for the second year consecutively, was the only event involving the Portuguese Canoeing, Rowing and Surf Federations. Held on 13 and 14 June, in Peniche, this occasion has evolved into a multi-activity event with stages of the national championships of Sea Canoeing and Sea Rowing, National Stand UP Paddle (SUP) Circuit, in its Race Wave modalities, and the Portuguese Rowing Cup.

Support to culture

The strategy of supporting national culture was continued during the first semester of 2015, in particular in the area of Portuguese music, where various activities were especially worthy of merit due to their strong reputation and the partnerships they enabled developing.

From the launch of the debut album created by the **D.A.M.A** which received the support of Montepio. This support extended to the tour presenting the album, with performances in over ten Portuguese cities, from the north to the south of the country, which were always fully sold out.

Pursuing a strategy of lending support to a national tour, Montepio accompanied **Maestro Rui Massena** in concerts held at the CCB (Lisbon) and Casa da Música (Porto) and followed on to cities such as Faro, Arcos de Valdevez and Guimarães.



Montepio's support to music was extended to **Expensive Soul** and **GNR**, embodied in the perspective of boosting national bands throughout their entire annual programme.



Concerning the brand's focus on distinguished national artists, we also highlight the concert performed by **Kátia Guerreiro**, at the CCB, and the presentation of the new album by **Rodrigo Leão**. At Lisbon Oceanarium, **Rodrigo Leão** embraced the visitor in an experience of relaxation, quietness and simplicity, encouraging the discovery of the submersed nature. The artist did so by creating a composition inspired by the exhibition "Submersed Forests by Takashi Amano", interweaving art and nature. At the same time, and with Montepio's support, the artist presented new pieces of work throughout a season of 20 live performances held at the "Mar da Palha" Auditorium, of Lisbon Oceanarium, during the months of May and June.



The 4th edition of **Belém Art Fest** was supported by Montepio through its naming of the stage situated in the Cloisters of Mosteiro dos Jerónimos. The main stage of the festival - the Montepio Stage – hosted António Zambujo and Dead Combo as poster headlines. The two days of the event involved 5,000 visitors, 230 Portuguese artists and 20 national bands.



The Montepio website participated in the "Às vezes o Amor" (Sometimes Love), having shown a direct broadcast of the Xutos & Pontapés concert, via streaming, after voting on the event's Facebook page.

Apart from music, Montepio sponsored the first edition of **Contentor 13**. This is a programme about Portuguese authors, and the first television one produced from one of the containers of *The Village Underground*.

Training of Employees

The CEMG Group's employees are its most and increasingly important stakeholders, so the first semester of 2015 continued to be guided by relevant initiatives in the area of Human Resources Management, in particular the following:

- **i9 Programme** – Launched in 2015, this programme covers various initiatives, where the topic of human resources is one of its key pillars. Hence and in order to understand the different issues that are felt most acutely by the employees, an Organisational Climate study was conducted, which gave rise to important conclusions for the taking of measures concerning the management of human resources, namely in the areas of training, remunerations, careers and performance assessment;
- **Internal Mobility** – The commitment towards internal mobility was given special attention with respect to recruitment, enabling meeting organisational needs while at the same time creating opportunities of valorisation for the employees;
- **Health and Well-being Promotion Programme** – The implementation of the programme continued among the different organisational units with awareness-raising actions aimed at a broad group of employees.

Voluntary Work

During the first half of 2015, the Social Responsibility Office promoted 33 actions of corporate voluntary work, under the internal social responsibility policy and in coordination with the Human Resources Department and Montepio Foundation. The development of the corporate voluntary work programme involved the establishment of partnerships with 31 external entities in various areas of action - social, environmental, animal protection and cultural.

Special note should be made of the holding of the third edition of the *Voluntary Action Day of the Montepio Group*, which simultaneously covered 23 actions in different places, with around 400 volunteers in the field and involving the participation of over 500 people, namely customers of the beneficiary entities and students of vocational schools who joined in, side by side, collaborating and working towards a fairer and more solidarity driven society.

On the same date of the Voluntary Action Day, two essential tools were launched for the success of the Montepio Group's Voluntary Work programme:

- E-learning course “Showing Solidarity Without Leaving the Workplace”, provided on the intranet to the employees, between 15 May and 30 June;
- “Guide to the Montepio Volunteer Employee”, distributed in June to all Montepio's employees.

During the first semester of 2015, the number of people involved in collective voluntary work and in skills voluntary action (Junior Achievement), Financial Education, Internet for members and microcredit tutors)

exceeded 600 volunteers, where special mention should be made of the growing involvement of retired and current employees of companies providing services, in a perspective of promoting the value chain.

In the first half of 2015, the total volume of training increased significantly and covered 96% of the employees. This period was characterised above all by the conduct of actions of legal/regulatory nature, such as the Prevention of Money Laundering and the Financing of Terrorism, Complex Financial Products, Insurance and Credit Recovery. We also highlight, due to their relevance and impact, the actions on taxation and international business.

Indicators	Jun.15	Jun.14	Variation
Number of actions:	174	136	27.9%
Hours of training:	57,535	34,012	69.2%
Number attending:	12,579	6,471	94.4%

1.3 Human Resources

At the end of the first semester of 2015, the staff of Caixa Económica Montepio Geral (CEMG) was composed of 3,906 employees, corresponding to an increase of 12 employees compared to 30 June 2014

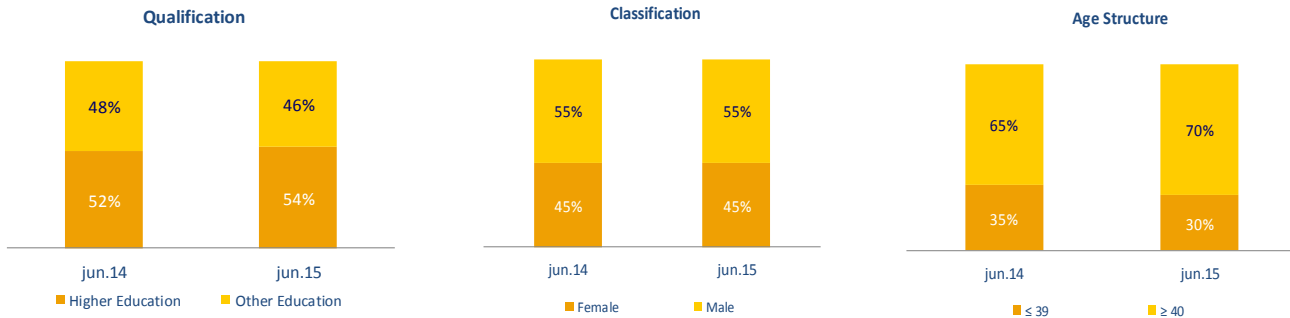
Considering all the entities comprising the CEMG Group, the total number of employees was 4,434 as at 30 June 2015, with the following distribution by the different entities:

Employees	Jun.15	Jun.14	Variation		Weight
			Number	%	
Total for CEMG Group	4,434	4,212	222	5.3	100.0%
Caixa Económica	3,906	3,894	12	0.3	88.1%
BMG Cabo Verde	3	3	-	-	0.1%
Montepio Holding, of which:	525	315	210	66.7	11.8%
Montepio Investimento	2	-	2	-	-
Montepio Valor	16	15	1	6.7	0.4%
Montepio Crédito	131	131	-	-	3.0%
Montepio Capital Risco	1	-	1	-	-
Banco Terra	182	-	182	-	4.1%
Finibanco Angola	193	169	24	14.2	4.3%

The higher number of total employees was the result of the increased number of employees at Finibanco Angola (+24) and due to the acquisition of a stake in Banco Terra, in Mozambique (+182).

Regarding gender distribution, the male component continues predominant (55%). The number of employees with higher education qualifications, which includes employees with bachelor, licentiate, master, post-graduate and doctoral degrees, increased to 54%. Concerning the age structure, there was a minor increase of the older age cohort (70%).

DISTRIBUTION OF CEMG EMPLOYEES



1.4 Distribution Network and Relations

Branch Network

At the end of the first semester of 2015, CEMG's network comprised 436 branches, spread throughout Portugal. Furthermore, CEMG also has an international presence of 6

Number of Domestic Branches and International Presence

	Jun.15	Dec.14	Jun.14
Domestic Branch Network	436	436	436
International Branch Network - Angola	21	18	17
International Branch Network - Mozambique	9	9	-
Representation Offices	6	6	6

representation offices, close to the main emigrant communities, and 17 branches and 4 business centres in Angola through Finibanco Angola and 9 branches of Banco Terra in Mozambique.

Manager Network

The Premium manager network has 181 dedicated managers to monitor the Affluent segment, which requires relations of greater proximity. In the second sector (enterprises), and continuing the effort of specialisation of the service, Montepio provided 181 dedicated business managers and 82 dedicated company managers. In order to meet the needs of the third sector (social economy), the institution has a team composed of 25 managers, 5 of whom are dedicated to microcredit.

Number of Managers by Customer Segment		
	Jun.15	Dec.14
Companies	281	286
Institutional	7	6
Large Companies	11	11
Small and Medium Companies	82	80
Small Businesses	181	189
Individuals	190	193
<i>Top Premium</i>	9	10
<i>Premium</i>	181	183
Third Sector ^(*)	25	20
TOTAL MANAGERS	496	499

^(*) Includes 5 Microcredit managers

Electronic Supplementary Channels

The **Montepio24 Service**, a multi-channel platform which includes the Net24, Phone24, Netmóvel24 and SMS24 channels, recorded an increased number of participant customers during the first semester of 2015 compared to the same period of the previous year, with 776 thousand users of the individuals segment (4.3% growth) and 114 thousand company users (year-on-year growth of 10%).

The Montepio public website, available at www.montepio.pt, also registered a significant increase in the number of accesses, consolidating its position as the main point of contact with the offer of products and services, with a monthly average of more than 3.1 million visits and 17.5 million page views.

In the **ATM service** – Automated Teller Machine service, the SIBS Global Network continued to undergo a readjustment of the number of machines available in the market during 2015: from 12,701 (December 2014) to 12,519 (June 2015), corresponding to a reduction of 182 ATM machines. Nevertheless, Montepio installed a further 13 machines during this period, thus increasing its market share from 8.59% to 8.82%.

With regard to Montepio's own internal ATM network (Chave 24), the total number of ATMs remained stable, with 378 installed machines, which contributes directly to the externalisation of operations of transactional nature, freeing the commercial network for sales activity.

The Point-of-Sale Terminals (POS) market grew by 3.81% from December 2014 to June 2015, with this business having grown by 6.09% at Montepio. This performance enabled Montepio to increase its market share from 6.87% to 7.02%.

During the first semester of 2015, the card business also increased by 3.0% in its portfolio, while the market only grew by approximately 0.5%. The growth of the credit card portfolio (2.4%) and the expansion of the pre-paid card portfolio (31.3%) contributed to this increase at Montepio. In view of this growth, Montepio's market share expanded from 5.1% to 5.3%.

2. MACROECONOMIC OVERVIEW

According to the forecasts of the International Monetary Fund (IMF), published in July, the growth of the **world economy** should slow down slightly from 3.4% in 2014 to 3.3% in 2015, corresponding to 0.2 p.p. less than the figure forecast in April. This primarily reflects the weak first quarter, particularly in the USA (hindered by the exceptionally adverse weather conditions), and also the outlook on the emerging economies, whose growth rate should slow down from 4.6% in 2014 to 4.2% in 2015, and accelerate to around 4.7% in 2016. The IMF has predicted growth in line with that previously expected for next year, both for the advanced economies and emerging economies; hence the global growth projected for 2016 has remained at 3.8%. The distribution of risks for the global economy is still veering on the negative side. However, the key determinants for economic recovery in the developed economies continue to be: more favourable financial conditions, a more neutral budget policy (principally in the euro zone), relatively low oil prices, improved confidence levels and better conditions in the labour market. The economic slowdown in the emerging economies is derived from the low commodity prices, tighter external financing conditions, structural flaws and fragility, and adverse economic impacts arising from geopolitical factors. Concerning the emerging economies, the IMF states that the slowdown in growth continues to reflect various factors, including lower commodity prices and more restrictive external funding conditions, structural bottlenecks, the re-equilibrium in China and economic instability derived from geopolitical issues. The growth in the developed countries should, therefore, shift from merely 1.8% in 2014 to 2.1% in 2015 and 2.4% in 2016. This acceleration marks a significant change compared to the period between the Great Recession of 2008/09 and 2013, when the developing countries drove the global economy forward, although they should still, nonetheless, be accountable for two thirds of the world growth in 2014/15.

In the **USA**, as noted above, the adverse weather conditions, port strikes (with greater impact on exports than on imports), the rapid appreciation of the dollar and fall of investment in the sector of oil derived from shale gas (penalised by the fall in world prices) led the economy to start the year showing low performance, with **Gross Domestic Product (GDP)** having grown at an annual rate of 0.6%. During the second quarter, the economy accelerated to a robust 3.7%, although growth for the first semester stood at merely 2.2%, below the median growth of the last 30 years (+3.0%) during periods of expansion. **Inflation** continued low, with a year-on-year net change of the consumer price index (CPI) showing an average value of -0.1% in the first semester (above all due to the decline in oil prices), clearly below the objective of 2% for the deflator for personal consumption expenditure. In spite of the disappointing growth of the semester, the economy continued to create jobs, with the **unemployment rate** having fallen from 5.6% in December 2014 to 5.3% in June, a minimum level since April 2008. The problem is that the rate of participation of the labour market has fallen to minimum levels since 1977 and the duration of the unemployment continues historically high, therefore, even with the unemployment rate now close to its long term value, the Federal Reserve (Fed) persists in applying a very accommodative monetary policy, with its main reference rate being maintained in the interval between 0.00% and 0.25%, which has occurred consistently since 2009.

Demonstrating the weakness of the economic recovery, the economy of the **euro zone** recorded **GDP** growth of 0.9% during 2014, after two years of contraction (-0.4% in 2013), derived above all from the budget consolidation policies carried out by a significant number of Member States, following the sovereign

debt crisis in the region. In 2015, the economy continued to grow, with GDP having progressed in chain by 0.4% and 0.3% in the first and second quarters of the year, respectively. It should be noted that GDP of the euro zone closed the second quarter of 2015 still at 1.2%, below the levels achieved before the Great Recession of 2008/09, which should only be surpassed in 2016. The **unemployment rate** continued to be high, having closed the first semester of 2015 at 11.1% (11.3% in December 2014), standing at only 1.0 p.p. below the historic maximum levels since the beginning of the series (1990), observed in May 2013. The **inflation rate** showed some trend of recovery, having moved from a negative value of 0.2% in December 2014 to positive 0.2% in June. In January, inflation actually fell to -0.6%, but by May had reached 0.3%, a figure which should be surpassed in the second semester, and is expected to gradually creep towards the objective of the European Central Bank (ECB) of 2.0%.

After three years of recession, the **Portuguese economy** resumed its growth in 2014 (+0.9%), albeit at a slow pace, in a year marked by the completion, in May, of the Economic and Financial Assistance Programme (EFAP) agreed in 2011 with the troika. During the first semester of this year, the economy continued along the process of gradual recovery, showing sequential growth of GDP of 0.4% both in the first and second quarters, underpinned by internal demand. Forecasts point to an acceleration of growth to 1.7% for the entire year of 2015. The construction sector continued to be under considerable pressure, with Gross Value Added (GVA) contracting by 3.5% in 2014, in spite of the return to quarterly growth in the second quarter of 2014, and continued growth in the first quarter of 2015. However, GDP growth may have fallen slightly in the second quarter of 2015. The process of **structural adjustment** continued throughout the first semester. After the deficit having stood at 4.5% in 2014, below the official target of 4.8% and the 4.8% recorded in 2013, the preliminary data on budget execution for 2015 (up to June) currently suggests that compliance with the target for the entire year (2.7%) might not be beyond achievement. The **unemployment rate** increased in the first quarter, from 13.5% to 13.7%, having risen for the second consecutive quarter, but showed a strong reduction to 11.9% in the second quarter, with the first semester of the year having ended at its lowest level since the fourth quarter of 2010, returning to the previous downward trend and permitting an outlook of a significant annual decrease in 2015, to 12.4%, below the 13.9% for 2014, although still representing a historically high figure. **Inflation** stood at -0.1% in the first quarter of 2015, in line with the figure recorded in the last quarter of 2014, but increasing in the second quarter to 0.7%. In annual terms, an average inflation rate of 0.4% is expected (with upward risks), representing a relief in view of the 0.3% decline observed in 2014 (+0.3% in 2013), which had, with the exception of 2009 (-0.8%), been the first situation of negative inflation since 1954 (-1.9%), to a large extent due to the fall in prices of energy products (-1.4%).

Financial Markets

Market confidence tended to be positive throughout the first half of 2015, with stronger appreciation being recorded only in the stock markets, while fixed-yield assets and commodities showed mixed behaviour, in a context of devaluation of the euro.

The positive feelings were greatly influenced by the developments in terms of **monetary policy**, namely the beginning of an expanded asset purchase programme, through the quantitative easing policy, which was announced by the ECB at its historic meeting of 22 January, with the target of monthly purchases having

been established at 60 billion euros, thus standing above market expectations at the time (around 50 billion euros). The Eurosystem made its first purchase on 9 March, in the secondary market, of debt securities – denominated in euros and carrying an investment grade rating – issued by governments of the euro zone and European agencies and institutions. According to the ECB, from the beginning of the quantitative easing programme up to the end of the first semester, these purchases have covered approximately 204.7 billion euros of public debt, 5 billion euros of asset-backed securities (ABS) and 41.9 billion euros of covered bonds. The **People's Bank of China** decided to make its monetary policy more accommodative by cutting the minimum reserve requirements twice during the first semester, ending at 18.50% (20.00% at the end of 2014), and cutting the reference rate for loans and deposits three times, ending the semester, respectively, at 4.85% and 2.00% (correspondingly, 5.60% and 2.75% at the end of 2014). The **Central Bank of Russia**, after a significant increase of the key rate on 16 December 2014, aimed at stabilising the value of the rouble on international markets, reduced this rate four times during the semester, ending at 11.50%, although the conditions have still remained highly restrictive. In the **USA**, the Fed, in its last meeting of the semester (17 June), decided to maintain its main monetary policy rate within the range of 0.00% to 0.25%, with the President of the Fed emphasising that “the importance of a first rise” of interest rates “should not be exaggerated” and considering that more evidence of sustained growth should exist before starting the cycle of increased rates. Nevertheless, the scenario for the evolution of rates appears to remain the same, with the median of the Fed's forecasts in the June meeting continuing to point to Fed Fund rates closing at 0.625%. The **Bank of Japan** continued its extremely accommodative policy, maintaining the scale of its quantitative easing programme.

The outlook of continued growth of the **world economy** have also supported the markets in general, notwithstanding the downward revision of the outlook of economic agents.

Regarding the **euro crisis**, we highlight the positive effect of the beginning of the ECB's quantitative easing programme, on 9 March, referred to above. The **severe economic and financial crisis in Greece** continued to weigh on the negative side, with the country's failure to reach an agreement with its international partners and entry into default with respect to the payments owed to the IMF (1.6 billion euros), after concession of an extension, for a further four months, of the financial assistance programme (which terminated at the end of June). The failure to reach an agreement by 30 June implied the entry into default of Greece with respect to the IMF, with the results of the referendum (on 5 July) having revealed the victory of “no”, in which the Greeks rejected the austerity measures which were being proposed at the time by the troika. After the referendum, negotiations were re-established between the Greek government and the international creditors, with the country having reached an agreement with its creditors (and the IMF having been repaid in the meantime), and the signing of a third rescue plan being imminent. It is important to note that the euro zone climate is now more favourable, in a context in which economic activity appears to be gaining renewed momentum.

The **spreads of the public debt of the so-called peripheral countries** increased in almost all cases during the first semester (with the exception being Ireland in the long term, which recorded a small decrease of 5 b.p., while in the shorter time frames it was Portugal which reduced the distance from the German debt spreads, by -21 b.p.). In the first quarter of 2015, the spreads had shrunk considerably (except for Greece), benefiting above all from the ECB's expansionary stance, from a trend of improvement

of the economic circumstances and from the budget execution of these countries. However, as of the end of April, the spreads embarked on an upward trend, particularly due to the uncertainties surrounding Greece and its continuity in the euro zone. For the semester as a whole, a rise was observed in the spreads of Greece, Spain, Italy and Portugal, respectively, of 546 b.p., 47 b.p., 22 b.p. and 9 b.p. for the period of 10 years. The 10 year yields of Spain, Italy, Ireland, Portugal and Germany fell to historic lows during the first quarter. **Reference public debt** showed mixed movements in Germany and the USA. The diverging movement of yields in Germany in relation to the end of 2014 (+22 b.p. for 10 years and -13 b.p. for 2 years) can be divided into two distinctive phases: a first phase (approximately up to the end of the first quarter of 2015) during which there was a strong decline in yields as a result of the start-up of the quantitative easing programme; a second phase (approximately up to the end of the semester), when the yields began to increase gradually, due, on the one hand, to the efficacy of the ECB's programme on the rate of inflation and the improvements in economic growth in the euro zone, and, on the other hand, to the notion that the yields were excessively low in relation to their fair value. The factor contributing to the rise in bund yields may also have continued to be the greater concentration of debt issues in Europe, seeking to benefit from the purchasing attitude of the ECB. By the last months, the yields were influenced by the fears about Greece and possible impacts in the event of Greece leaving the euro zone. In the USA, yields showed a mixed movement in relation to the end of 2014 (+18 b.p. for 10 years and -2 b.p. for 2 years). The increase observed in long term yields is likely to have been the result of the contagious effects of the increasing yields of the euro zone countries, while the expectations of a moderate strengthening of the American economy led investors to prefer other asset categories, namely shares. In the **monetary market**, Euribor rates recorded minimums across all maturities during the first semester, reflecting the aforesaid expansionary position of the ECB. Euribor rates at 3, 6 and 12 months fell during the first semester by 3 b.p., 4 b.p. and 3 b.p. to, respectively, -0.014%, 0.050% and 0.164%, with the 3 month Euribor showing negative values since mid April. In the **foreign exchange market**, the effective nominal exchange rate of the euro fell by 6.3% relative to December 2014, having dropped to its lowest levels during this period since April 2002, but even so closing at 35.1% above the historic minimum reached in October 2000. The depreciation of the currency essentially reflected the launch of new monetary stimuli by the ECB, namely the start-up of the quantitative easing programme, as well as the consequent fall in international monetary market (IMM) rates and the greater instability and uncertainty regarding the permanence of Greece in the euro zone. During the first semester, the single currency depreciated by 7.8% relative to the dollar, 8.7% relative to the pound and 6.1% relative to the yen. The euro/dollar exchange rate hit bottoms not recorded since August 2003, having closed the semester only slightly above the psychological barrier of 1.1 EUR/USD. During the first semester, almost all the main **stock market indices** of the world recorded positive movements, with some indices hitting historic high points and others reaching maximum levels since the beginning of the economic and financial crisis. The national stock market also showed a positive performance (the PSI-20 index increased by 15.7%). The EuroStoxx 50 also recorded an increase (+8.8%), in March reaching its highest levels since May 2008, and closing the semester at around 37.3% below the historic maximum points reached in April 2000. In the USA, the Nasdaq recorded its strongest increase (+5.3%), reaching historic maximum levels during the period, although it ended the first semester of 2015 2.9% below this maximum. In turn, the S&P 500 increased by 0.2% and the Dow Jones fell (-1.1%), with the S&P 500 having reached historically high levels in May, but ending the semester 3.2% below this value. The Dow Jones just skirted the historic maximum points reached in May, closing the semester 3.8% below

this level. In Asia, the Chinese Shanghai Composite also touched maximum levels since May 2008 and the Indian Sensex 30 recorded top levels in February. **Oil** prices recovered throughout the first semester, relieving the heavy reduction occurred in 2014, but not before Brent had slumped to minimum levels in March and WTI had fallen to its lowest levels since March 2009.

3. EVOLUTION OF ACTIVITY BY BUSINESS AREAS

The evolution of Montepio's activity in the first half of 2015 reflects the complex and adverse context of operation that stubbornly persists, combined with intense competition in the Portuguese banking sector. Alongside these difficult circumstantial challenges is the added tightening of prudential requirements under Basel III, with more demanding requirements with respect to own funds and in the assessment of risk weighted assets.

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

The first semester of 2015 was marked by the implementation of a strategy directed at reinforcing Montepio's positioning as a retail financial institution dedicated to supporting families and small and medium-sized enterprises and the growth of the Portuguese business structure, while upholding its commitment to other market segments.

3.1 Retail Banking (Consolidated Activity)

The CEMG Group, especially directed to retail banking activity, primarily operates in the domestic banking market, but with some presence in the international market through Banco MG Cabo Verde, Soc. Unipessoal, S.A., Finibanco Angola, S.A. and, since December 2014, also Banco Terra, S.A. in Mozambique.

Customers' Resources

For the first half of 2015, total customers' resources stood at 15,726 million euros, which include 14,823 million euros relative to on-balance sheet resources, such as deposits, with a total of 13,125 million euros. Special mention is made of the profile of the deposit portfolio which is essentially composed of deposits by individuals, a segment that continues to maintain its predominance as the main source of funding, accounting for close to 70% of total deposits. Also worthy of note is the preponderance of term deposit products with 76% of the total.

In spite of the historically low level of interest rates, the intense competition among the players and the fact that CEMG has continued to adopt a rigorous repricing policy for deposits, with particular impact in the corporate and institutional segments, the deposits of individual customers have remained stable at 9.1 billion euros (-0.3% relative to June 2014). This has been added by the growth of market operations, replacing more costly resources of institutional customers. It should be noted that the average rate of repaid

deposits was 1.8%, compared to an average rate of market operations of around 0.5%, which enabled net interest income gains of 1.3%.

In this context, we also highlight the repayment of liabilities represented by securities of 546 million euros, showing an active management of net refinancing needs. The average rate of securities placed with customers was 3.4%, with their replacement by market operations having generated net interest income earnings of 2.9%.

EVOLUTION OF CUSTOMERS' RESOURCES

(thousand euros)

	Jun.15	Dec.14	Jun.14	YoY Variation	
	Amount	Amount	Amount	Amount	%
Deposits of Individuals	9,143,059	9,244,146	9,173,909	-30,850	-0.3
Deposits of Companies and Institutions	3,982,429	4,998,533	5,140,602	-1,158,173	-22.5
Total Deposits	13,125,488	14,242,679	14,314,511	-1,189,023	-8.3
Demand Deposits	3,128,588	2,805,857	2,674,516	454,072	17.0
Term Deposits	9,996,900	11,436,822	11,639,995	-1,643,095	-14.1
Securities Placed with Customers	1,697,328	2,120,870	2,242,134	-544,806	-24.3
Total On-Balance Sheet Resources	14,822,816	16,363,549	16,556,645	-1,733,829	-10.5
Off-Balance Sheet Customer Funds	903,184	1,009,789	1,071,451	-168,267	-15.7
Total Resources	15,726,000	17,373,338	17,628,096	-1,902,096	-10.8

Credit to Customers

The process of gradual recovery of the Portuguese economy, albeit still tenuous, combined with the maintenance of the different risks, has been reflected in the demand for loans, with the total amount of loans to customers having remained stable during the first half of 2015.

Gross loans to customers reached the total of 16,306.7 million euros, having recorded a marginal decrease of 2.7% in relation to the first half of 2014. This evolution was basically due to the 8.5% year-on-year reduction of mortgage loans (housing and construction), combined with the growth of loans granted to companies (excluding construction) of 287.2 million euros (4.7%), which represented 39.4% of the total loan portfolio at the end of June 2015, reflecting the strategy of diversification and support to the sustainable growth of the economy that has been pursued.

EVOLUTION OF LOANS TO CUSTOMERS

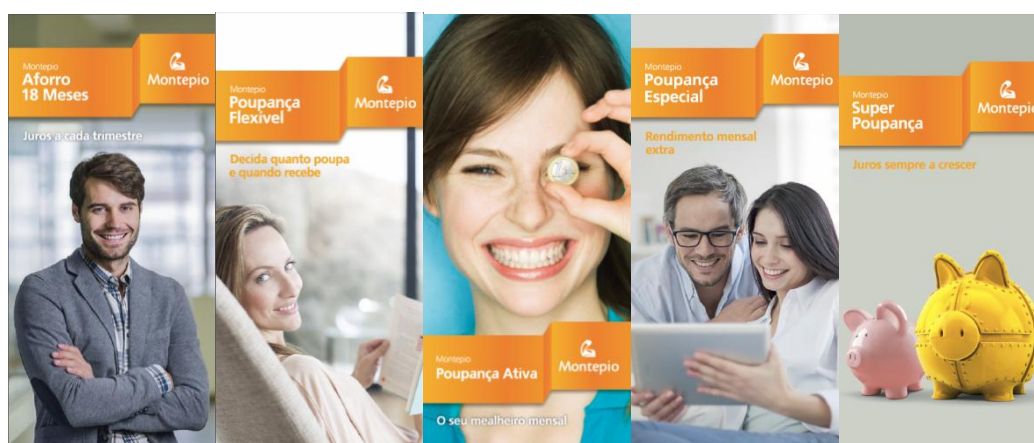
(thousand euros)

	Jun.15	Dec.14	Jun.14	YoY Variation	
	Amount	Amount	Amount	Amount	%
Private customers and small businesses	9,135,039	9,359,107	9,690,443	-555,404	-5.7
Private customers, of which:	8,570,402	8,773,149	9,158,870	-588,468	-6.4
Housing	7,051,919	7,207,359	7,538,276	-486,357	-6.5
Individual	621,512	634,555	643,491	-21,979	-3.4
Small Businesses	564,637	585,958	531,573	33,064	6.2
Companies	7,064,670	7,073,092	7,000,884	63,786	0.9
Construction	635,837	703,024	859,211	-223,374	-26.0
Other Purposes	6,428,833	6,370,068	6,141,673	287,160	4.7
Other Segments	106,964	108,744	59,567	47,397	79.6
Total Credit (gross)	16,306,673	16,540,943	16,750,894	-444,221	-2.7

Banking for Individuals

During the first half of 2015, the offer strategy for the segment of individuals maintained its focus on affirming the institution as a specialist in savings.

In order to provide the customers with an experience of immediate comparison of the different term deposits marketed by CEMG, the communication articles displayed at the branches now present, on their cover, information about the key features of each product:



The strategy defined for the individual customers segment has focused on encouraging family savings, namely through the attraction and retention of term deposits with diversified maturities and characteristics. The following solutions are noteworthy due to their relevance and distinguishing nature:

- **Montepio Super Poupança** Deposit - payment of interest on a six-monthly basis and growing interest rates for the period of 3 years; **Montepio Poupança Flexível** Deposit – 2-year deposit with possibility of payment of interest quarterly, every semester or annually; and **Montepio Aforro 18 meses** Deposit – 18-month deposit with quarterly interest and growing interest rates;



- **Montepio Poupança Certa** and **Montepio Poupança Certa Associado** Deposits – 3-year term deposits with annual payment of interest and growing interest rates;
- Indexed deposits - remuneration dependent on the performance of various financial assets, such as shares or indices, with maturities ranging from 18 months to 3 years. Due to the amount placed, we highlight the products **Montepio Motor Brands** and **Montepio American Brands**.

Companies

During the first semester of 2015, one of CEMG's priority areas of action continued to be its support to the corporate sector, being especially driven to support companies of international nature, focusing on exports as an essential path for the development of the Portuguese economy.

The strategic focus and positioning of the brand among the corporate segment developed around the Europe Strategy 2020, focused on internationalisation and entrepreneurship, in line with the new paradigm of business success, recognition, encouragement and support of the introduction of new technologies, innovation, differentiation and expansion of business activity to new markets as assets of differentiation and value creation.

A multimedia communication campaign targeting companies was developed to publicise this strategy. The objective of the campaign was to position Montepio among the corporate segment, presenting the institution as the companies supporting bank of Portugal 2020. Based on the “Montepio Growth 2020 Offer” endorsement, Montepio demonstrates that it is the right partner for support:

- To new business ideas, through the message
“A little idea for you, a great step for Portugal”
- To the internationalisation effort, through the message
“With us, your shoes will travel the world”



The campaign was present in the main channels of dissemination (radio, Internet, press and branch network) during the month of June, having involved the graphic participation of the brand Luís Onofre, a customer and partner, and of the Institution.

Throughout the first half of 2015, Montepio continued to dedicate special attention and support to corporate funding needs, in particular SMEs, in a financial context which is especially adverse for these entities. As a result of this strategy, the Institution maintained and strengthened its participation in public sector initiatives aimed at stimulating the supply of corporate funding, such as the following agreed credit lines:

- SME Growth Credit Line 2015 – created to support the financing of new SME investment in tangible and intangible fixed assets or the reinforcement of working capital or fixed capital. This line also includes specific support to export companies for funding treasury needs relative to commercial transactions which imply temporary needs of extra working capital;
- Invest Trade Credit Line – aimed at supporting the financing of projects approved under the initiative developed by IAPMEI - Invest Trade, aimed at boosting innovation in processes, organisation and marketing in companies of the trade sector;
- Mutual Guarantee Line FEI 2013-2015 - financing of investment developed by SME for acquisition of tangible and intangible assets, equity holdings, working capital, research and development and acquisition of permits;
- BEI Credit Line 2015 – created as a result of the signing, in June, of a financing contract between Montepio and BEI to support SME investment, middle-sized capitalisation companies and public sector entities.

During the semester, Montepio also participated in events linked to various sectors of the economy, in particular:

- 20th edition of the International Show of the Food and Drinks Sector (SISAB)
- I Exporter Forum – Business Board of the Ave and Cávado (CEDRAC)
- Portugal Global Roadshow
- First Mozambique Business Meeting – Portugal

It is also important to note that, alongside the commitment to promote the economy of the sea, in the first half of 2015, CEMG also directed its attention towards agriculture, in the context of supporting innovation as a strategic customer-raising axis, based on an offer of support to the agricultural sector and a policy of support and sponsorship aimed at fostering a common and integrated strategy for activities linked to the development of ecosystems.

Banking for the Social Economy

Support to the social economy was maintained as a priority area of action of CEMG, pursuing the strategy of action and promotion among the sector's agents. Particular note should be made of the following initiatives:

- Renewal of the partnership with F3M – Information Systems for a further year. This partnership contributed to the volume of the customer portfolio of the social sector, which justified its expansion to the corporate segment, embodied in an integrated banking offer, pioneer on the market and directed at

modernisation and enhancement of the competitive edge of companies which develop their business in the optical segment (laboratories, distributors and opticians);

- The partnership concluded with Renault Portugal in 2014, aimed at ensuring the feasibility of vehicle acquisition by social sector entities, was also renewed this year and extended to the sector of electric vehicles. This allowed the Institution to respond to the instability in the price of fuel and present a solution directed at making the most of the tax benefits granted for 2015, supporting and encouraging public or private sector organisations regarding electric mobility, as assets of differentiation and enhancement of the organisation's value.

An issue of extreme importance in the current economic context is **Entrepreneurship**, particularly for the dynamism, creativity and economic growth of the country. For this reason, CEMG has focused on the specialisation of competencies aimed at meeting the growth taking place in this area. Supporting entrepreneurs with business ideas that are sustainable, employment creating and which, through funding of relatively low amounts, promote the combat of social exclusion and financial autonomy, is the perfect symbiosis between entrepreneurship and social aspects, based on Microcredit instruments.

In the first semester of 2015, CEMG continued its strategy of approaching this segment, having strengthened its team of managers, who monitor and follow-up the entrepreneurs from the stage of the business idea up to its implementation and beyond. On the other hand, the proximity tutors provide important assistance throughout the process, being closer to the entrepreneurs and their needs.

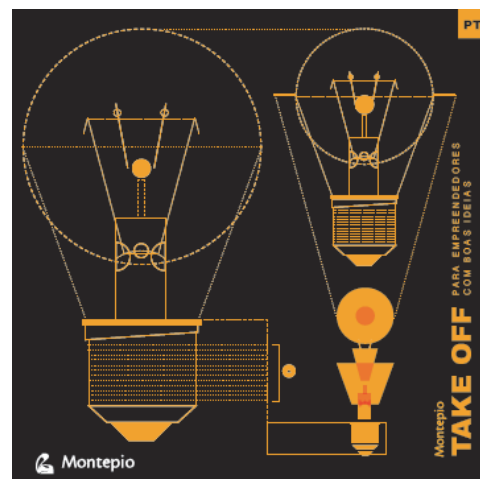
CEMG has maintained an active participation in the development of social entrepreneurship, namely:

- Support to projects under the Microinvest and Invest agreed lines has enabled CEMG to perform important roles, affirming itself as the first partner in terms of Microinvest and the second partner regarding Invest+;
- Strengthening of the partnership on the Operational Platform of BIS – Banco de Inovação Social. Programme of support to Social Enterprises through mentoring on financing solutions adapted to their specific needs;
- Partnership with Lisbon City Council (CML) at DELI – Diversity in the Economy and Local Integration;
- Presence at various public sessions and seminars.

Attentive of national and international needs, CEMG reinforced its presence in Broad Width Entrepreneurship, supporting a variety of initiatives of social partners, in particular:

- Follow-up of the *MakerSpace Maquijig*: Palmela Business Centre;
- Presence as a member of the Interim Selection Panel of the IAPMEI Passport to Entrepreneurship programme;
- Technical session on entrepreneurial financing solutions at Ideia Atlântico Business Centre, Braga;
- Public session on solutions to support entrepreneurship at Santarém Polytechnic Institute, Higher Education College of Education and higher Education College of Management;

- Partnership with NERSANT to support entrepreneurship;
- Participation as a member of the selection panel in the PAT – Management Information Technological Aptitude Tests at INED, Maia;
- First Competition of Business Ideas – *Wanted Business Ideas* of Viseu Dão Lafões Intermunicipal Community;
- Permanent monitoring of entrepreneurs in the partner incubators: Startup Lisboa, Viseu Dão Lafões, Cross Innovation, Tondela+10 and Village Underground;
- Montepio is one of the partners in the creation and implementation of the Lisbon Crowdfunding Platform.



The first half of 2015 has, in this form, progressively enabled consolidating Montepio's positioning in the area of entrepreneurship. This has essentially been founded on support to start-ups of innovative nature, as a result of the partnerships with the main entities of national, regional and social scope in the area of technological and social entrepreneurship, an offer suited to the life cycle of start-ups - Montepio *TAKEOFF* - and a policy of support and sponsorships driven towards stimulating the entrepreneurial spirit of Portuguese society.

3.2 Investment Banking

The investment banking activity is carried out by Montepio Investimento, S.A., an entity derived from the change of the corporate name of Finibanco, S.A., which was part of the Finibanco Group, acquired in 2011. The strategic mission of Montepio Investimento, S.A., an autonomous entity, is to complete the CEMG Group's range of offer directed at corporate segments, in order to accomplish the strategy of transversal diversification of the business, markets and sources of income. The activity of Montepio Investimento, S.A. is focused on the areas of corporate finance, financial advisory/mergers and acquisitions, international business, financial intermediation and studies, which guarantees specialised intervention and complements the offer provided by the other companies of the CEMG Group.

In June 2015, the net assets of Montepio Investimento, S.A. decreased by 267.0 million euros, year-on-year, to stand at 263.9 million euros, with the heading "financial assets available for sale" having fallen by 195.5 million euros to reach a total of 156.0 million euros. The weight of this item in net assets decreased from 66.2% in June 2014 to 59.1% at the end of the first semester of 2015, reflecting the total divestment of the portfolio of public debt securities, with the portfolio now being concentrated, to a large extent, in participation units in venture capital funds. Credit to customers now represents a weight of 25.4%, with "(gross) credit to customers", being exclusively composed, to date, of movable asset and real estate leasing, standing at 89.7 million euros, having decreased by 15.2 million euros in relation to June 2014. The financing of activity continued to be sustained by resources from other credit institutions, which decreased by 224.5 million euros, in parallel with the reduction of assets.

The net operating income of Montepio Investimento, S.A. came to 11.4 million euros in June 2015, corresponding to a reduction of 58.6% year-on-year, explained by the statement of 22.8 million euros of "Gains arising from financial assets available for sale" in June 2014 compared to 9.0 million in the current year. Net interest income came to 2.4 million euros, compared to 4.4 million euros recorded in the same period of the previous year, reflecting the decrease of the public debt securities portfolio. Commissions from financial advisory operations reached 0.9 million euros in June 2015, after having been virtually nil in June 2014, marking the first full year of effective activity of Montepio Investimento, S.A., as an entity directed towards corporate enterprises and institutions.

Provisions for the year came to 4.8 million euros, of which 2.8 million euros are related to the credit portfolio, 1.7 million euros to the securities portfolio and 0.3 million euros refer to other assets. Operating expenses stood at 1.1 million euros, having increased by 0.2 million euros as a result of the reinforcement of the core structure which enabled the business to develop in 2015.

In view of the above, the net income of Montepio Investimento, S.A. reached 5.0 million euros in June 2015, compared to a net income of 20.0 million euros in the same period of the previous year.

3.3 Investment Funds' Management

The object of Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A., derived from the change of corporate name of Finivalor, is the management of real estate investment funds, in particular, in this context, Finipredial (Open Fund), three residential rental funds (FIIAH) and various privately subscribed closed-end funds.

The national market of real estate investment funds ended the first semester of 2015 with a total value of 10,997.7 million euros, corresponding to a reduction of 9.9% (-1,086.4 million euros) in relation to the same period of 2014.

In June 2015, the value of the assets managed by Montepio Valor stood at 889.9 million euros, representing a decrease of 24.1% (-214.0 million euros) in relation to June 2014. This reduction is explained by the reduction of the capital of Montepio Rental FIIAH in December 2014, by the value of 158.0 million euros.

The operating income generated by Montepio Valor in the first semester of 2015 amounted to 3.7 million euros, having declined by 20.2% (-0.9 million euros) year-on-year. This decrease is explained by the lower commissioning generated by Montepio Rental FIIAH, due to the aforesaid reduction of the fund's capital, reflected in the decrease of the commissioning level from 5.2 million euros in June 2014 to 4.2 million euros in June 2015.

Operating expenses (1.0 million euros) were slightly reduced by 12.3 thousand euros (-1.2%), essentially explained by general administrative overheads (-26.7 thousand euros corresponding to -3.9%). This heading predominates in the operating cost structure (64.1%) and absorbs 18.1% of net operating income. In light of the above, the cost-to-income ratio increased by 5.4 p.p., to 28.2%.

The net income of Montepio Valor, in the first semester of 2015, stood at 2.0 million euros, compared to 2.7 million euros in the same period of the previous year (-24.7%).

3.4 Specialised Credit

Montepio Crédito – Instituição Financeira de Crédito, S.A. is the entity within the CEMG Group that ensures the offer of specialised credit at points of sale of vehicles and equipment.

A repositioning of the institution within the CEMG Group has been taking place, with the development of specialised financing in professional areas, through relations with business partners that are suppliers of light and heavy duty vehicles and industrial equipment, now being combined with the core business of motor vehicle loans.

According to data published by ACAP (Portuguese Automobile Trade Association), 116,813 new vehicles were sold in Portugal during the first half of 2015, which represented a positive year-on-year increase of 31.2%.

In June 2015, the net assets of Montepio Crédito came to 464.6 million euros, representing year-on-year growth of 24.4 million euros (+5.6%). The total net financing to customers recorded an increase of 18.6% (to a total of 321.0 million euros).

Net operating income reached 20.3 million euros, representing an increase of 13.1 million euros (+180.9%). Net interest income contributed with a net change of 2.0 million euros (+70.7%), as a result of the diversification of funding sources and rigorous management of the price applied to new operations. Other operating income grew by 11.0 million euros (+252.9%), influenced by the gains of 12.7 million euros recorded in a credit granting operation.

Structural costs decreased by 34.5% to stand at 5.0 million euros which, combined with the increase in net operating revenues, enabled an improvement of the cost-to-income ratio to 24.9%.

Considering the above, the net income achieved in the first semester of 2015 was 5.0 million euros, compared to a net income of 121.4 thousand euros in 2014.

3.5 International Activity

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

The customer deposits of Banco MG Cabo Verde (MGCV') amounted to 493.3 million euros at the end of the first half of 2015 (625.1 million euros in the first half of 2014), representing a year-on-year reduction of 131.8 million euros. MGCV's net income for the period came to 513.2 thousand euros (111.6 thousand euros in the first semester of 2014), primarily due to the 26.8% growth of net interest income, which reached 829.6 thousand euros.

At Finibanco Angola, S.A. (FNB-A'), we highlight the 6.4% growth of customer deposits, which increased to 447.6 million euros, as well as the 9.8% growth of credit to customers, the balance of which stood at 294.7 million euros, relative to the first semester of 2014. This increased activity of FNB-A directly influenced net interest income, which amounted to 13.6 million euros (+51.4%), contributing to the net operating income having reached 23.1 million euros (+13.3% year-on-year).

The geographic coverage of the distribution network in Angola has been strengthened from the end of June 2014 onwards. In this way, its presence in Luanda has been solidified with yet another branch, likewise in Benguela with a new business centre, and FNB-A's presence has been extended to the province of Lubango, with the opening of a branch and a business centre. At the end of the first half of 2015, the total number of staff reached 193 employees, corresponding to an increase of 14.2%, relative to June 2014.

In view of this phase in the institution's life cycle, marked by growth and additional investment needs, FNB-A's operating expenses increased by 30.6%, amounting to a total of 10.2 million euros, with the cost-to-income efficiency ratio standing at 44.0% (38.2% as at 30 June 2014).

At the end of the first half of 2015, a net reinforcement of the impairments of FNB-A's credit portfolio was recorded, relative to the same period of the previous year, of 1.6 million euros, reaching a total of 6.7 million euros. Net income for the period stood at 4.1 million euros, compared to 5.4 million euros for the first semester of 2014.

At the end of the first semester of 2015, Banco Terra, S.A. presented an equity of 19.3 million euros and net assets of 58.3 million euros, which was influenced by the amount of credit granted amounting to 37.9 million euros (+5.5 million euros, corresponding to +17.0%, relative to December 2014). Regarding customers' deposits, Banco Terra closed the semester with a slight reduction of -3.7 million euros (-13.4%), compared to the end of 2014, with the total balance standing at 23.8 million euros.

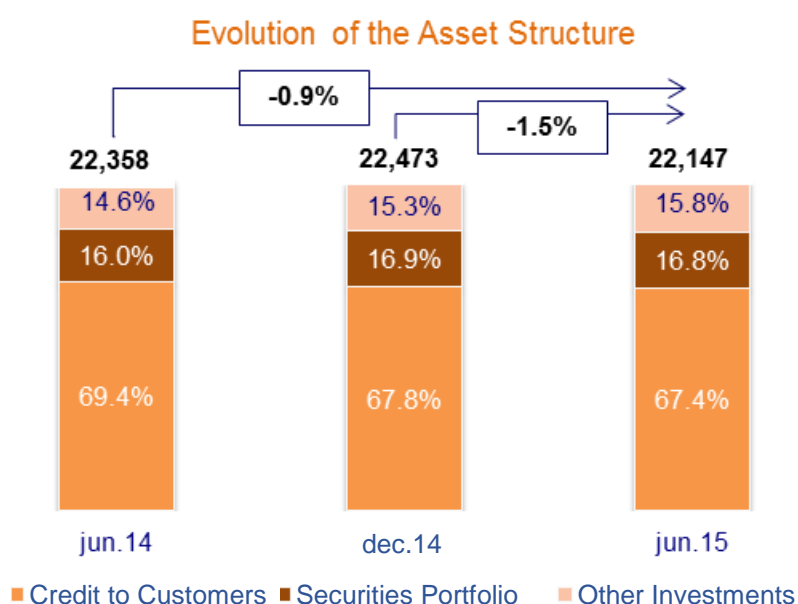
Banco Terra's net income, for the first 6 months of 2015, stood at -2.2 million euros, primarily constrained by the weight of the operating structure arising from the embryonic stage of growth in which the institution is currently placed.

4. BALANCE SHEET AND PROFIT ANALYSIS

4.1 Balance Sheet

Asset Structure

Net assets reached 22,146.8 million euros at the end of the first half of 2015, having recorded a minor reduction of 0.9% in relation to the first half of 2014. Also on a year-on-year basis, there was an improvement in the asset diversification profile, reflected in the lower weight of credit offset by the higher weight of the portfolio of securities and other assets.-



Liabilities and Equity Structure

In the first semester of 2015, liabilities reached 20,656.5 million euros, which, when compared to the 20,630.7 million euros of the same period of the previous year, represented modest growth of 0.1%. CEMG reinforced its capital, on 26 June 2015, with the issue of 200,000,000 shares (participation units) representing its Holding Fund, through a private offer fully underwritten by Montepio Geral Associação Mutualista.

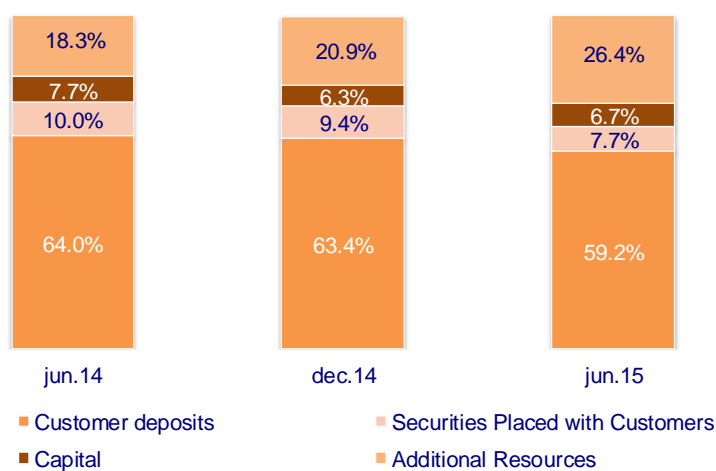
(thousand euros)

	Jun.15		Dec.14		Jun.14*		Variation	
	Amount	%	Amount	%	Amount	%	Amount	%
LIABILITIES	20,656,544	93.3	21,058,950	93.7	20,630,687	92.3	25,857	0.1
Customers' Resources	14,822,816	66.9	16,363,549	72.8	16,556,645	74.0	-1,733,829	-10.5
Total Deposits	13,125,488	59.2	14,242,679	63.4	14,314,511	64.0	-1,189,023	-8.3
Individuals	9,143,059	41.2	9,244,146	41.1	9,173,909	41.0	-30,850	-0.3
Corporates and Institutionals	3,982,429	18.0	4,998,533	22.3	5,140,602	23.0	-1,158,173	-22.5
Securities Placed with Customers	1,697,328	7.7	2,120,870	9.4	2,242,134	10.0	-544,806	-24.3
Additional Resources	5,833,728	26.4	4,695,401	20.9	4,074,042	18.3	1,759,686	43.2
Resources from Credit Institutions and Central Banks	4,787,187	21.6	3,395,199	15.1	2,806,421	12.6	1,980,766	70.6
Subordinated and Non-Subord. Loans and Debt Certificates	464,785	2.1	456,312	2.1	504,594	2.3	-39,809	-7.9
Financial Liabilities Associated to Transferred Assets	124,170	0.6	163,650	0.7	170,773	0.8	-46,603	-27.3
Other Liabilities	457,586	2.1	680,240	3.0	592,254	2.6	-134,668	-22.7
EQUITY	1,490,301	6.7	1,414,524	6.3	1,726,879	7.7	-236,578	-13.7
Institutional Capital	1,500,000	6.8	1,500,000	6.7	1,500,000	6.7		
Participation Fund	400,000	1.8	200,000	0.9	200,000	0.9	200,000	100.0
Own Securities	-21,716	-0.1	-3,280	0.0	-3,577	0.0	-18,139	<-100
Reserves and Retained Earnings	-390,941	-1.8	-129,956	-0.6	3,799	0.0	-394,740	<-100
Other Equity Instruments and Non-Controlling Interests	31,867	0.1	34,713	0.1	20,448	0.1	11,419	55.8
Net Income for the Period	-28,909	-0.1	-186,953	-0.8	6,209	0.0	-35,118	<-100
TOTAL LIABILITIES AND EQUITY	22,146,845	100.0	22,473,474	100.0	22,357,566	100.0	-210,721	-0.9

* The interim financial statements, as at June 2015, were restated, pursuant to Note ab) of the Accounting Policies.

Customers' resources represented 67% of total liabilities and equity as at 30 June 2015, of which 59.2% refer to deposits, which thus maintain their significant weight in the funding structure. The weight of additional resources stood 26.4% and that of own resources at 6.7%, reaching 1,490.3 million euros, and reflecting an increase relative to December 2014.

Evolution of the Liabilities and Equity Structure



Solvency

The Capital of Caixa Económica amounted to 1,900 million euros as at 30 June 2015, where this figure includes the Institutional Capital belonging to Montepio Geral Associação Mutualista, in the amount of 1,500 million euros and 400 million euros of participation units representing its Participation Fund. Of the 400 million euros of the aforesaid Participation Fund, 200 million euros were underwritten by Montepio Geral Associação Mutualista in June 2015.

Since January 2014, prudential indicators of solvency are based on the new legislation of Basel III, namely Directive 2013/36/EU and Regulation (EU) 575/2013 (CRD IV/CRR), both of the European Parliament and Council, as well as Banco de Portugal Notice 6/2013. In compliance with this legal framework, CEMG's Own Funds are divided into Level 1 Principal Own Funds (Common Equity Tier 1 - CET1), Level 1 Own Funds (Tier 1 or T1) and Level 2 Own Funds (Tier 2 or T2).

The full application of the new regulations of Basel III will be introduced gradually over the period up to 2018 (2021 for eligibility of some Tier 1 and Tier 2 instruments, and 2023 for certain deferred tax assets existing before 2014), with this process usually being referred to as Phasing-in. The full assumption of the new regulations, without considering transitional plans, is referred to as Full Implementation. The Phasing-in process is currently underway, and it is on this basis that Banco de Portugal determines the regulatory minimum ratios of 7% for CET1 and 8% for Total Capital (T1 + T2).

In June 2015, the Common Equity Tier 1 ratio, calculated pursuant to the CRD IV/CRR phasing-in rules, improved in relation to 31 December 2014, from 8.51% to 9.53%. The reinforcement of the Participation Fund by 200 million euros (second issue) contributed to this result, standing above the minimum limit of 7%, defined by Banco de Portugal. Moreover, the Total Capital ratio (phasing-in) increased to 10.62%, also surpassing the required level.

CAPITAL AND CAPITAL REQUIREMENTS

	(thousand euros)				
	Jun.15	Dec.14	Jun.14	YoY Variation	
	Amount	Amount	Amount	Amount	%
1. Total Capital	1,599,891	1,309,115	1,798,585	-198,694	-11.0
(+) <i> Eligible instruments for CET1</i>	1,896,031	1,682,235	1,698,458	197,573	11.6
(+) <i> Reserves and Net Income</i>	-419,849	-316,909	11,683	-431,532	<-100
(-) <i> Regulatory Deductions</i>	40,370	80,096	143,693	-103,323	-71.9
1.1 (=) Common Equity Tier I Capital	1,435,812	1,285,230	1,566,448	-130,636	-8.3
(+) <i> Other Equity Instruments</i>	4,964	6,618	6,618	-1,654	-25.0
(-) <i> Tier I Deductions</i>	4,964	6,618	6,618	-1,654	-25.0
1.2 (=) Tier I Capital	1,435,812	1,285,230	1,566,448	-130,636	-8.3
(+) <i> Tier II Capital</i>	171,028	32,826	246,075	-75,047	-30.5
(-) <i> Other Deductions</i>	6,949	8,941	13,938	-6,989	-50.1
2. Minimum Own Funds Requirements	1,205,240	1,208,400	1,195,421	9,819	0.8
3. Risk-weighted assets and equivalents	15,065,497	15,104,998	14,942,765	122,732	0.8
4. CRD IV Solvency Ratios - Phasing-in					
<i> Common Equity Tier 1 (1.1/3)</i>	9.53%	8.51%	10.48%	-0.95	p.p.
<i> Tier 1 (1.2/3)</i>	9.53%	8.51%	10.48%	-0.95	p.p.
<i> Total Capital (1/3)</i>	10.62%	8.67%	12.04%	-1.42	p.p.
5. CRD IV Solvency Ratios - Full Implementation					
<i> Common Equity Tier 1</i>	7.30%	6.98%	9.49%	-2.19	p.p.
<i> Tier 1</i>	7.31%	6.99%	9.49%	-2.18	p.p.
<i> Total Capital</i>	8.45%	7.21%	11.13%	-2.68	p.p.

The strengthening of solvency was thus the outcome of the combined effect of the reinforcement of own funds by 348.5 million euros and the reduction of risk-weighted assets by 345.0 million euros, relative to March 2015, and 39.5 million euros, in relation to December 2014. The prudential ratios show an extra amount of capital above the regulatory minimum of 380 million for the CET1 ratio and 395 million euros with respect to the total capital ratio.

Liquidity

The commercial gap showed an improvement of 32.5 million euros, comparing the total credit with the total customers' resources on the balance sheet, giving rise to the maintenance of a balanced standard in terms of loan-to-deposit ratios. The loan-to-deposit ratio shifted from 108.0% to 113.4%. Considering total on-balance sheet customers' resources, this ratio stood at 99.8%.

	Jun.15	Dec.14	Jun.14	YoY Variation Amount
	%	%	%	
Net Credit to Customers/ Customers' Deposits ^(a)	113.4	106.5	108.0	5.4 p.p.
Net Credit to Customers/ Total On-Balance Sheet Customers' Resources ^(b)	99.8	92.5	93.1	6.7 p.p.

(a) Indicator in accordance with the updated version of Banco de Portugal Instruction 16/2004

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

The use of European Central Bank (ECB) resources by CEMG increased by 300 million euros (+12.1%) in the first semester of 2015, having shifted from 2.5 billion euros, as at 31 December 2014, to 2.8 billion euros as at 30 June 2015. This increase was the result of the use of the "Targeted Longer Term Refinancing Operations" (TLTRO) long term line, provided by the Eurosystem under the expansionary monetary policy measures, which shall enable extending the financing maturities under very favourable conditions.

The collateral pool of eligible assets for refinancing operations at the ECB recorded a slight reduction of 225 million euros in the first six months of 2015, having decreased from 4.2 billion euros, as at 31 December 2014, to 4.0 billion euros as at 30 June 2015. This net change in the pool was essentially due to the reduction of the position of the Institution's own portfolio in terms of Treasury Bonds and the increased market operations.

POOL OF ELIGIBLE ASSETS FOR REFINANCING AT THE ECB

	(thousand euros)							
	Jun.15		Dec.14		Jun.14		YoY Variation	
	Amount	%	Amount	%	Amount	%	Amount	%
Pool of Eligible Assets	3,977,299	100.0	4,202,365	100.0	4,253,770	100.0	-276,471	-6.5
Use of the Pool	2,775,990	69.8	2,475,990	58.9	1,990,000	46.8	785,990	39.5
Pool of Available Assets	1,201,309	30.2	1,726,375	41.1	2,263,770	53.2	-1,062,461	-46.9

Market operations grew during the first half of 2015, a sign of the return to some normality in the financial markets, with the balance of these resources having reached 2.1 billion euros as at 30 June 2015.

It should be noted that, during the first semester of 2015, 545.9 million euros of securitised debt were repaid, approximately 22% of the issued debt, thus establishing future medium and long term debt refinancing needs up to 2018 at merely 63.1 million euros.

Asset Quality

The current economic circumstances persisted in having a negative impact on the risks of financial activity, reflected in the exacerbation of default. Nevertheless, and spite of the slow recovery of economic activity continuing to constrain the risks of financial activity, negatively affecting the balance of credit and interest overdue by more than 90 days, the credit-at-risk ratio showed an improvement of 0.45 p.p., having stood at 13.37%, compared to 13.82%, at the end of the first semester of 2014.

In this context, and in line with the policy of prudence and conservatism recommended by the economic context, CEMG continued to reinforce its impairments for credit risks during the first semester of 2015, with the ratio of coverage of overdue loans and interest by impairments having reached 102.81% and the ratio of coverage of loans and interest overdue for more than 90 days standing at 118.68%. The simple coverage of credit-at-risk by impairment stood at 66.04%, while the coverage ratio considering total loan impairments and the associated real estate collateral reached 130.7%.

MAIN INDICATORS OF NON-PERFORMING LOANS

	(thousand euros)				
	Jun.15	Dec.14	Jun.14	YoY Variation	
				Amount	%
Gross Credit to Customers	16,306,673	16,540,943	16,750,894	-444,221	-2.7
Credit and Interest Overdue	1,406,126	1,148,497	1,093,322	312,804	28.6
Credit and Interest Overdue by more than 90 days	1,218,026	1,014,197	997,540	220,486	22.1
Impairment for Credit Risks	1,445,610	1,385,872	1,313,559	132,051	10.1
Ratios (%)					
Credit and Interest Overdue by more than 90 days	7.47	6.13	5.96	1.51p.p.	
Non-performing loans (a)	8.79	7.42	8.41	0.38p.p.	
Net non-performing loans (a)	-0.04	-1.00	0.66	-0.70p.p.	
Credit-at-Risk (a)	13.37	12.03	13.82	-0.45p.p.	
Net Credit-at-Risk (a)	4.98	4.02	6.52	-1.54p.p.	
Restructured Credit (b)	10.43	10.49	9.59	0.84p.p.	
Restructured Credit not included in Credit-at-Risk (b)	5.46	6.89	6.42	-0.96p.p.	
Coverage by Impairments (%)					
Credit and Interest Overdue by more than 90 days	118.68	136.65	131.68	-13.00p.p.	
Credit and Interest Overdue	102.81	120.67	120.14	-17.33p.p.	
Credit-at-Risk	66.04	69.35	56.49	9.55p.p.	
Credit-at-Risk, including associated mortgage-backed guarantees	130.70	136.50	129.90	0.80p.p.	

(a) In accordance with Banco de Portugal Instruction 16/2004.

(b) In accordance with Banco de Portugal Instruction 32/2013.

4.2 Results

In the first semester of 2015, the performance of the banking sector and of CEMG remained conditioned by the current economic climate, both at a domestic level, due to the persistently slow recovery of economic activity, and weak economic upturn at a European level, in particular the Greek economic and financial crisis. These factors undermined the confidence of economic agents during this first half of 2015, with consequences in terms of investment and employment.

	(thousand euros)					
	Jun.15		Jun.14*		Variation	
	Amount	%	Amount	%	Amount	%
Net Interest Income	126,022	44.2	160,576	33.7	-34,554	-21.5
Net Commissions of Services to Customers	49,196	17.2	51,718	10.8	-2,522	-4.9
Commercial Operating Income	175,218	61.4	212,294	44.5	-37,076	-17.5
Income from Equity Instruments	1,400	0.5	493	0.1	907	>100
Net Trading Income	114,927	40.2	275,043	57.7	-160,116	-58.2
Other Net Income	-6,125	-2.1	-10,751	-2.3	4,626	43.0
Net Operating Income	285,420	100.0	477,079	100.0	-191,659	-40.2
Personnel Expenses	101,839	35.7	95,282	20.0	6,557	6.9
General Administrative Overheads	57,757	20.2	54,504	11.4	3,253	6.0
Amortisation	13,846	4.9	15,428	3.2	-1,582	-10.3
Total Operating Expenses	173,442	60.8	165,214	34.6	8,228	5.0
Gross Earnings	111,978	39.2	311,865	65.4	-199,887	-64.1
Net Provisions and Impairments	165,144	57.9	292,906	61.4	-127,762	-43.6
Loans	151,286		265,353		-114,067	-43.0
Securities	10,667		25,708		-15,041	-58.5
Other	3,191		1,845		1,346	73.0
Earnings from Associates and Joint Ventures	-4,116		208		-4,324	<-100
Earnings before Tax and Non-controlling interests	-57,282	-20.1	19,167	4.0	-76,449	<-100
Taxes	27,888	9.8	-11,955	-2.5	39,843	>100
Current	218		-38,894		39,112	>100
Deferred	27,670		26,939		731	2.7
Non-controlling interests	485		-1,003		1,488	>100
Net Income for the Period	-28,909	-10.1	6,209	1.3	-35,118	<-100

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

At the end of the first semester of 2015, the net income for the period stood at -28.9 million euros, compared to 6.2 million euros in the same period of the previous year. This evolution reflects two effects: the improvement of 157.6 million euros of recurring net income, combined with the reduction of 192.7 million euros in net trading income, which reached 114.9 million euros due to the lower contribution of earnings arising from the sale of Portuguese public debt securities.

The improvement of recurring net income was largely the result of: i) the 1.4% increase in commercial net interest income, derived from the increased credit granted to companies (excluding construction) and the repricing in terms of customers' resources; ii) as well as the policy of containment of the operating expenses of domestic activity (+0.7%). This effect offset the reduction of turnover arising from the sluggish recovery of the National Economy, which is still unstable, and is reflected in the 3.8% decline of net credit to customers and 4.9% reduction of net commissions.

Operating expenses grew by 5.0%, reflecting their rise in international operations, given that in Portugal this evolution was merely +0.7%. Notwithstanding the modest growth of personnel expenses and administrative

costs, this development was partially offset by the reduction of amortisation and depreciation by 1.6 million euros (-10.3%) as a result of the containment of investment costs.

Credit impairment fell by 43.0% to 151.3 million euros, with this reduction having been -44.6% in the domestic market, which reflects the economic recovery underway and the impact of the economic and financial situation of families and companies.

With regard to international activity, the impairments for credit recorded by Finibanco Angola increased to 6.7 million euros, while at Banco Terra the impairments for credit stood at only 0.4 million euros.

Net Interest Income

Net interest income stood at 126.0 million euros, compared to 160.6 million euros reached at the end of the first semester of 2014. Contributing to this performance in particular was the 70.2 million euros of reduction in the securities portfolio, derived from the lower yields of the sovereign debt securities recorded in the portfolio, following the income gained from the sale of sovereign debt, in 2014, benefiting from market conditions that proved to be fairly favourable. Furthermore, the lower average balances of credit, derived from the extended slow recovery of demand and the demanding policy of risk analysis in credit concession, added to the historically low levels of the Euribor rates, led to a reduction of the contribution of gains from credit to customers of 37.6 million euros. Even so, this reduction was lower than the decline observed in the costs of customers' resources which reached 39.4 million euros, which led to year-on-year growth of commercial net interest income of 1.7 million euros (1.4%). As a result of the repricing policy that CEMG has been following, net interest income increased by 1.3% from the first to the second quarter of 2015.

	(thousand euros)				
	Jun.15	Dec.14	Jun.14	YoY Variation	
	Amount	Amount	Amount	Amount	%
Financial Assets					
Credit to customers (1)	251,834	597,813	289,476	-37,642	-13.0
Securities portfolio	39,797	190,881	110,028	-70,231	-63.8
Derivative instruments	44,686	104,337	53,688	-9,002	-16.8
Other investments	12,712	20,679	10,079	2,633	26.1
Total	349,029	913,710	463,271	-114,242	-24.7
Financial Liabilities					
Customers' resources (2)	124,417	316,303	163,802	-39,385	-24.0
Debt securities issued	40,302	94,303	47,725	-7,423	-15.6
Derivative instruments	45,727	104,920	54,115	-8,388	-15.5
Other liabilities	12,561	61,678	37,053	-24,492	-66.1
Total	223,007	577,204	302,695	-79,688	-26.3
Net Interest Income	126,022	336,506	160,576	-34,554	-21.5
Commercial Net Interest Income (1-2)	127,417	281,510	125,674	1,743	1.4

Other Operating Income

Net commissions reached 49.2 million euros, recording a minor reduction of 2.5 million euros (-4.9%), year-on-year.

As a result of a rigorous treasury management policy, net trading income stood at a total of 114.9 million euros, compared to 275.0 million euros in the same period of 2014. This evolution was determined by the lower contribution arising from the divestment of Portuguese public debt securities which reached 262.2

million euros, in the first semester of 2014, making the most of market conditions which proved to be very advantageous, compared to 69.5 million euros as at 30 June 2015.

	(thousand euros)				
	Jun.15	Dec.14	Jun.14	YoY Variation	
	Amount	Amount	Amount	Amount	%
Gains arising from Assets and Liabilities at Fair Value through Profit or Loss	11,199	4,204	508	10,691	>100
Gains arising from Financial Assets Available for Sale	83,418	374,386	275,067	-191,649	-69.7
Gains arising from Currency Revaluation	7,239	17,016	9,849	-2,610	-26.5
Other Net Income	13,071	-43,436	-10,381	23,452	>100
TOTAL	114,927	352,170	275,043	-160,116	-58.2

Operating Expenses

Consolidated operating expenses amounted to 173.4 million euros (+5.0%, year-on-year), with the increased personnel expenses (+6.9%) and general administrative overheads (+6.0%) being affected by the operations of the international activity of the CEMG Group. On a comparable basis, not considering the entry into Mozambique through the acquisition of a qualifying holding in the Capital of Banco Terra, S.A. ("BTM"), which took place in late 2014, operating expenses recorded an increase of only 2.2%.

The containment of costs in domestic activity contributed to this outcome, having recorded a minor increase of 0.7%, in relation to the same period of the previous year. It should be noted that, during the month of July 2015, in a perspective of rationalising the distribution network and optimising costs that has been followed since 2011, and which has already led to the closure of 70 branches in Portugal, a further 14 branches were closed, with the preceding record rising to 84.

In turn, in international activity, operating expenses increased by 6.8 million euros, in relation to the first semester of 2014, as a consequence of the higher requirements in terms of human and material resources implied by the operation in Angola (Finibanco Angola S.A.) and the aforesaid entrance into the Mozambican market. Since the end of June 2014, 2 new branches and 2 new business centres have been opened in Angola, simultaneously with a 14.2% increase in the number of employees (193 employees, as at 30 June 2015).

	(thousand euros)									
	Jun.15			Dec.14		Jun.14		YoY Variation		
	Reported		excl. BTM					excl. BTM		
	Amount	%	Amount	Amount	%	Amount	%	Amount	%	%
Personnel Expenses	101,839	58.7	99,699	194,153	56.8	95,282	57.7	6,557	6.9	4.6
General Administrative Overheads	57,757	33.3	55,619	120,494	35.3	54,504	33.0	3,253	6.0	2.0
Operating Expenses	159,596	92.0	155,318	314,647	92.1	149,786	90.7	9,810	6.5	3.7
Amortisation	13,846	8.0	13,471	27,077	7.9	15,428	9.3	-1,582	-10.3	-12.7
Total Operating Expenses	173,442	100.0	168,789	341,724	100.0	165,214	100.0	8,228	5.0	2.2
Domestic Activity (a)	158,615	-	158,615	324,104	-	157,441	-	1,174	0.7	0.7
International Activity	15,044	-	10,391	18,405	-	8,259	-	6,785	82.2	25.8
Operating Income	285,420		-	784,499		477,079		-191,659	-40.2	-
RATIOS										
Cost-to-Income (Total Operating Expenses / Net Operating Income) (b)	60.77%		-	43.56%		34.63%				
Cost-to-Income without Amortisation	55.92%		-	40.11%		31.40%				

(a) Excludes consolidation adjustments (b) In accordance with Banco de Portugal Instruction 16/2004.

Provisions and Impairments

The pursuit of a prudent and conservative policy in the interpretation of the risk factors associated to the performance of banking activity, in a still complex macroeconomic environment, was reflected in a significant reduction of provisions and impairments (-43.6%), which reached 165.1 million euros and represented a decrease of 127.8 million euros in relation to the first semester of 2014.

We highlight the 58.5% reduction in net impairments constituted for securities, as well as the 43.0% reduction in impairments for credit, while in the domestic market this reduction was 44.6%, which reflects the economic recovery underway and the impact of the economic and financial situation of families and companies. With regard to international activity, the impairments for credit recorded by Finibanco Angola increased by 30.3%, reaching 6.7 million euros, while at Banco Terra the impairments for credit stood at only 0.4 million euros.

This prudent credit analysis gave rise to the reduction of the cost of credit risk to 1.8%, compared to 3.2% in June 2014, and 3.1% at the end of 2014.

The prudence revealed in the assessment of the risk levels of its asset portfolio will enable CEMG to face the prevailing difficult economic context with even stronger coverage levels and economic robustness, reinforcing the confidence placed in it by all its stakeholders.

(thousand euros)

	Jun.15		Dec.14		Jun.14		YoY Variation	
	Amount	%	Amount	%	Amount	%	Amount	%
Net Credit Provisions and Impairments	151,286	91.6	524,579	81.3	265,353	90.6	-114,067	-43.0
Net Impairment of Securities	10,667	6.5	61,648	9.5	25,708	8.8	-15,041	-58.5
Net Provisions and Impairments of Other Assets	3,191	1.9	59,516	9.2	1,845	0.6	1,346	73.0
Total Net Provisions and Impairments	165,144	100.0	645,743	100.0	292,906	100.0	-127,762	-43.6

4.3 Rating

The positive evolution of a series of key indicators has been reflected in the improvement of the ratings.

In June 2015, Moody's upgraded CEMG's Long Term rating from 'B2' to 'B1', and also made an upward revision of the institution's Outlook, improving it to 'Stable'. Particular note should also be made of the upward revision, by 3 rating levels, of mortgage bonds attributed by Moody's from 'Ba1' to 'Baa1', which is now classified as 'moderate credit risk' instrument, in the Investment Grade category.

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

The Long Term senior rating attributed to CEMG by DBRS was not subject to revision in the first semester 2015, which remained at 'BBB (low)'.

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

Rating Agencies	Long Term	Short Term	Outlook
Fitch Ratings	B+	B	Stable
Moody's	B1	NP	Stable
DBRS	BBB (low)	R-2 (low)	Negative

5. RISK ANALYSIS

During the first half of 2015, the development of methods and procedures in the area of risk identification, quantification of underlying potential losses and taking of measures towards their mitigation was continued.

Credit Risk

Throughout the first half of 2015, a project was continued whose objective is the presentation, in the medium term, of the application to adopt of the Internal Ratings Based (IRB) Approach for assessing capital requirements for credit risk. This project is strategic for CEMG and, in view of its depth and scope, involves various areas of the organisation and requires the review and possible developments related to the credit risk assessment models, process of assessment and decision-making and the capital requirements algorithm calculation, among others.

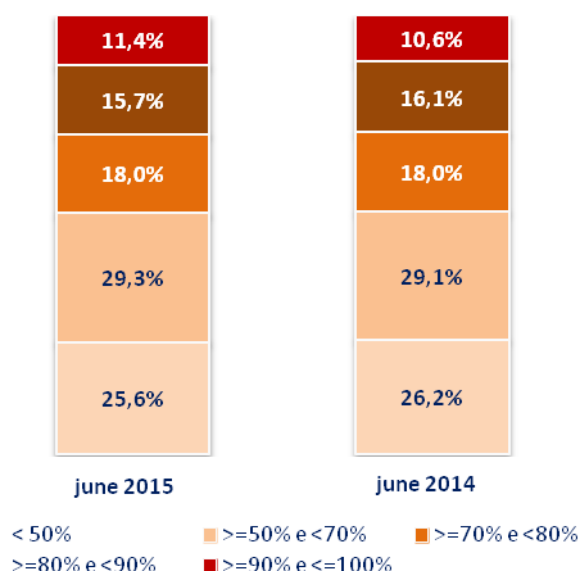
The decision process for credit operations is based on a series of policies using scoring models for the portfolios of retail customers and rating models for the corporate segment. The models, developed based on internal historic data, allow an assessment involving the attribution of a risk class to the customer/operation. The project of application for the IRB approach for calculation of capital requirements currently involves the ongoing review of CEMG's scoring and rating models that are associated to the most significant segments of the credit portfolio, which will result in the improvement of the internal risk and governance models.

The internal risk classification, combined with the assessment of risk mitigants, in the form of personal or asset-backed guarantees, constitute determinant aspects for the decision-making and price of the operations. The pricing decision levels are defined in accordance with the risk adjusted return on equity (ROE) and following the principle that the competent authority to approve operations with a lower risk adjusted ROE lies with the higher levels of management.

In addition to the rating and scoring models, the decision-making process regarding credit operations is also based on rejection rules. Credit rejection is determined by the occurrence of credit events in the financial system, breach of credit rules (for example, borrowing capacity in the case of credit to individuals) and whenever the pricing associated to a specific operation represents a risk of adverse selection.

In the mortgage loan portfolio, the LTV ratio (Loan to Value – the value of the financing divided by the value of the guarantee) showed an improvement, with the average LTV of the lending portfolio have decreased from 64.8% in June 2014 to 63.6% in June 2015.

DISTRIBUTION OF THE MORTGAGE LOAN PORTFOLIO BY LTV LEVEL



Concentration Risk

Following the diversification strategy endorsed by CEMG, there was a favourable evolution in the sectorial concentration level of credit to customers in the first half of 2015, as reported regularly under the terms of Instruction 5/2011, to Banco de Portugal. The index fell from 12.8% in June 2014 to 12.4% in June 2015 (12.3% in December 2013), with the weight of the construction sector in the portfolio of credit to non-financial companies have declined from 22.6% to 19.7% (21.3% in December 2014). Regarding the sectorial distribution of credit, the tertiary sector continued predominant in relation to the secondary sector in June 2015, with 59.7% and 38.8%, respectively (59.8% and 38.4% in June 2014, and 58.4% and 39.6% in December, respectively).

In relation to geographic concentration, the districts of Lisbon and Porto continue to be the regions with highest weight in the credit portfolio, accounting for 36.8% and 15% (39.2% and 15.4% in June 2014, and

38.7% and 16.2% in December 2014), respectively, in line with the population and enterprise density of these two districts.

Concerning the risk of individual concentration, which measures the risk arising from significant exposure to an individual counterpart or a group of related counterparts, there was a minor increase in the weight of the 100 largest exposures, from 16.4% to 16.9% between June 2014 and June 2015 (17.8% in December 2014), which corresponded to the maintenance of the general concentration index at close to 0.28% (0.30% in December 2014). The index of concentration of the 1,000 largest exposures increased from 0.16% in June 2014 to 0.17% in June 2015 (0.18% in December 2014), with the increased weight in the total portfolio having declined from 30.4% to 29.2% between June 2014 and June 2015 (32% in December 2014).

Financial Asset Risk

The securities portfolio registered a decrease of 18.3 million euros, from December 2014 to June 2015. This decrease was mainly driven by the reduction in the bonds portfolio (-110.0 million euros), being, however, largely offset by the increased levels of shares and participation units (PUs) (+94.9 million euros).

STRUCTURE OF THE SECURITIES PORTFOLIO BY TYPE OF ASSET

(thousand euros)

Type of Asset	Jun.15		Dec.14		Variation	
	Amount	%	Amount	%	Amount	%
Bonds (*)	3,136,793	84.8	3,246,806	87.3	-110,013	-3.4
Commercial Paper	6,850	0.2	10,000	0.3	-3,150	-31.5
Equities and PUs	554,655	15.0	459,769	12.4	94,886	20.6
Total	3,698,298	100.0	3,716,575	100.0	-18,277	-0.5

CEMG's investment policy was marked by the reduction of the exposure to Portuguese public debt securities, and by the increase exposure to Spanish and Italian public debt. This investment policy, as well as the upgrades of credit ratings which took place during this first semester, led to variations in terms of the rating structure, namely in the BBB and BBB- buckets. These changes led to a greater weight of bonds classified as investment grade in the total bond portfolio in June 2015 compared to December 2014. We also highlight the modest decrease of exposure to securities without rating.

STRUCTURE OF THE BOND PORTFOLIO BY RATING CATEGORY

(thousand euros)

RATING CATEGORIES	Jun.15		Dec.14		Variation	
	Amount	%	Amount	%	Amount	%
AAA	5,677	0.2	5,507	0.2	170	3.1
AA+	5,600	0.2	0	0.0	5,600	>100
AA	4,936	0.2	2,080	0.1	2,856	>100
AA-	2,890	0.1	3,017	0.1	-127	-4.2
A+	10,970	0.3	24,392	0.8	-13,422	-55.0
A	65,208	2.1	69,897	2.2	-4,689	-6.7
A-	50,462	1.6	40,832	1.3	9,630	23.6
BBB+	66,611	2.1	69,091	2.2	-2,480	-3.6
BBB	300,982	9.5	155,307	4.9	145,675	93.8
BBB-	193,082	6.1	80,019	2.5	113,063	>100
BB+	1,755,789	55.6	1,987,978	62.6	-232,189	-11.7
BB	2,815	0.1	6,965	0.2	-4,150	-59.6
BB-	132,184	4.2	109,355	3.4	22,829	20.9
B+	13,409	0.4	2,628	0.1	10,781	>100
B	50	0.0	9,901	0.3	-9,851	-99.5
B-	0	0.0	35,404	1.1	-35,404	-100.0
CCC	7,113	0.2	0	0.0	7,113	>100
CCC-	0	0.0	206	0.0	-206	-100.0
NR	539,095	17.1	572,431	18.0	-33,336	-5.8
Total	3,156,873	100.0	3,175,010	100.0	-18,137	-0.6

Liquidity Risk

CEMG's liquidity risk management is based on the analysis of the residual maturity periods of the different assets and liabilities on the balance sheet. The volumes of inflows and outflows of resources are stated by time-frames according to their residual period of occurrence, with the respective liquidity gaps being calculated both for the period and accumulated. These liquidity mismatches thus correspond to the disparity or time difference between cash inflows and cash outflows, and take into account the available collateral to refinancing operations with the ECB, without incorporation, however, of the commercial business dynamics at the reference date.

Historically, CEMG has shown positive liquidity gaps, with positive accumulated mismatches for the different time-frames up to 12 months, where CEMG seeks to assure a financially sustainable and balanced structure of its activity. At the end of the first half of 2015, the accumulated liquidity mismatch up to the following 12 months stood at 875 million euros.

Dynamic Gaps of the Liquidity Position in June 2015

(million euros)

Position on reference date + Forecast Amounts	Time-Frames				
	sight and up to 1 week	Above 1 week and up to 1 month	Above 1 month and up to 3 months	Above 3 months and up to 6 months	Above 6 months and up to 12 months
Accumulated Mismatches	1 373	1 406	1 401	950	875

Interest Rate Risk

In June 2015, the impact on net worth arising from a parallel shift of +200 basis points of the yield curve was 9% (3% in 2014). The sensitivity of CEMG's banking portfolio to interest rate risk was, therefore, within the guideline limit of 20% of Own Funds defined by the BIS (Basel Committee on Banking Supervision) in "Principles for the Management and Supervision of Interest Rate Risk".

On the same date, the accumulated repricing gap at 12 months was estimated at 4.1 billion euros (3.6 billion euros in 2014), with the estimated impact on net interest income being +44.5 million euros (+40.4 million euros in 2014) in the case of a sudden alteration of interest rates by +100 basis points. The variation observed in this figure essentially arises from the mismatch between the interest rate revision periods, showing a greater weight of debt securities with longer maturity periods.

Operating Risk

In terms of risk assessment, major focus has been placed with the prior identification of relevant operating risks whenever a product, a process or system is implemented or reviewed in the CEMG Group.

Within the scope of operating risk monitoring, the activities of collection and analysis of loss events have been maintained.

In terms of exposure to operating risk, the business lines which show greatest exposure are retail activity and payment and settlement activity.

DISTRIBUTION OF EVENTS BY BUSINESS LINE IN JUNE 2015

	Frequency	Severity
Retail banking	22.7%	46.5%
Payment and settlement	76.7%	52.5%
Brokerage relative to the retail portfolio	0.6%	1.0%

In turn, the Business Continuity Management cycle is supported by a series of activities of assessment, design, implementation and monitoring, integrated in a continuous improvement routine aimed at making business processes more resilient, thus assuring the continuity of operations in the case of events causing an interruption of activity.

Stress Tests

Pursuant to the regulatory terms, CEMG conducted stress tests, under the Recovery Plan of the CEMG Group and the Internal Capital Adequacy Assessment Process (ICAAP), which were submitted to Banco de Portugal during the first semester of 2015.

The Recovery Plan of the CEMG Group involved analysis and measurement of impacts derived from adverse scenarios, considering systemic events, idiosyncratic events of the Group and a combination of both. This analysis gave rise to a series of strategic options and recovery measures to be placed in practice

in order to assure the preservation and solidity of the CEMG Group's levels of capital, liquidity, profitability and operating activities, in the event of being faced with situations of contingency or financial crisis.

The Internal Capital Adequacy Assessment Process (ICAAP), so as to assess capital insufficiency during periods of stress, involved the definition of a series of stress tests (sensitivity and scenario analysis) on the risk quantification models. The results of these tests enable confirming the adequacy of internal capital levels to the tested adverse scenarios.

In addition to the stress tests reported to Banco de Portugal, CEMG also regularly carries out other impact studies aimed at providing an analytical vision of its position in terms of liquidity, net income for the year and capital when subject to adverse scenarios arising from alterations in risk factors such as interest rates, credit spreads, refunding of deposits, margins of assessment of eligible assets applied by the European Central Bank (ECB), ratings (of the CEMG and counterparts), portfolio loss ratios, collateral, among others.

The stress tests and analyses of adverse scenarios are disclosed and debated with CEMG's management, with the conclusions drawn being subsequently incorporated in the strategic decision-making processes, more precisely in the determination of levels of solvency, liquidity, exposure to specific risks (counterpart and price risks) and overall risks (interest rate, exchange rate and liquidity risks), as well as in the context of pricing, credit granting criteria and development of the product offer.

6. MAIN RISKS AND UNCERTAINTIES FOR THE SECOND SEMESTER

For the second semester of 2015, the outlook points to the gradual economic recovery in Portugal, together with the pursuit of measures aimed at the adjustment of various imbalances of the Portuguese economy, which still persist.

It is expected that there will be a continued recovery of internal demand and investment accompanied by the growth of exports. One of the most relevant aspects regarding the Portuguese economy adjustment process is the degree of adaptation of national enterprises to the requirements of international markets, where these companies have also benefited from the growing evolution of external demand and gains of competitiveness, via price, in a context of strong depreciation of the euro. However, the permanency of the need for budget consolidation measures, reduction of public debt, lower public investment, the prevalence of historically low interest rates and the persistently high levels of the unemployment rate, notwithstanding its progressive reduction, and definition of the new political framework, remain as relevant risks to the development of the Portuguese economy.

Nevertheless, the recovery, albeit still tenuous, of economic activity in Portugal, some constraints are still evident, due to circumstantial requirements, not only at a domestic level but also concerning external risks, through the ongoing sluggish recovery of economic activity at a European level, which is especially severe in the case of the Greek economic and financial crisis.

In terms of the banking sector, in spite of the expectation of improvement of the economic situation of families reflected in the reduction of default ratios, the activity will continue to be pressurised by credit risk, market risk (including real estate risk) and liquidity risk, in addition, manifest during the second semester, a climate of particular uncertainty in relation to the evolution of the events related to the ECB's resolution and its impact on the Portuguese financial system, via its contribution to the Resolution Fund.

Preventative management of potential cases of default through the restructuring of credit will be fundamental to avoid new entry into default and in credit-at-risk. In the regulatory context, the challenges will involve the adjustment to new regulations which seek to improve bank credit profiles and enhance the transparency of information provided by banks, especially in terms of CRD IV/CRR and the Bank Recovery and Resolution Directive (BRRD).

Concerning these issues, the major challenges for CEMG reside in the areas of capital, both in terms of own funds and management of risk weighted assets, liquidity, asset quality, changes in the legal framework of savings banks, recurring net income and rating. Moreover, we highlight the challenge relative to profitability, given that interest rates are close to zero, which will continue to pressure on net interest income, combined with the growing regulations on commissioning.

As was the case in the first semester, excess liquidity in the market should continue to be observed, strongly constraining interest rate levels, which are negative for the shorter maturity periods. The Euribor rates should clearly illustrate this fact, due to the monetary expansionist policy of the ECB.

CEMG's principal responses to the risks described above involve ensuring the implementation of the established measures in the areas of balance sheet management, default, credit recovery and the preservation of liquidity levels.

7. FINANCIAL STATEMENTS, EXPLANATORY NOTES, STATEMENTS AND AUDIT REPORTS

7.1. Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET OF CAIXA ECONÓMICA AS AT 30 JUNE 2015 AND 31 DECEMBER 2014

(thousand euros)

	2015			2014
	Gross Assets	Impairment and Amortisation	Net Assets	Net Assets
ASSETS				
Cash and deposits at central banks	360,059	-	360,059	284,813
Deposits at other credit institutions	222,262	-	222,262	217,043
Financial assets held for trading	79,389	-	79,389	86,581
Other financial assets at fair value through profit or loss	-	-	-	-
Financial assets available for sale	3,560,352	64,567	3,495,785	3,589,711
Investments in credit institutions	349,293	929	348,364	546,162
Credit to customers	16,365,765	1,445,610	14,920,155	15,226,223
Investments held to maturity	151,562	-	151,562	120,101
Hedging derivatives	32	-	32	60
Non-current assets held for sale	995,276	141,700	853,576	799,739
Investment properties	740,145	-	740,145	715,737
Other tangible assets	272,303	179,692	92,611	98,931
Intangible assets	151,800	84,002	67,798	66,054
Investments in associates and subsidiaries excluded from consolidation	21,090	341	20,749	24,650
Current tax assets	5,278	-	5,278	2,664
Deferred tax assets	417,195	-	417,195	355,881
Other assets	389,984	18,099	371,885	339,124
TOTAL ASSETS	24,081,785	1,934,940	22,146,845	22,473,474
LIABILITIES				
Resources from central banks			2,777,391	2,496,886
Financial liabilities held for trading			45,798	85,292
Resources from other credit institutions			2,143,121	1,070,156
Resources from customers and other resources			13,170,661	14,314,659
Debt securities issued			1,782,009	2,146,525
Financial liabilities associated to transferred assets			124,170	163,650
Non-current liabilities held for sale			77	-
Hedging derivatives			1,119	1,494
Provisions			14,246	20,329
Current tax liabilities			1,564	16,962
Other subordinated liabilities			331,491	373,279
Other liabilities			264,897	369,718
TOTAL LIABILITIES			20,656,544	21,058,950
EQUITY				
Capital			1,900,000	1,700,000
Institutional Capital			1,500,000	1,500,000
Participation Fund			400,000	200,000
Other equity instruments			8,273	8,273
Own securities			-21,716	-3,280
Revaluation reserves			-18,169	18,516
Other reserves and retained earnings			-372,772	-148,472
Net income for the period			-28,909	-186,953
Non-controlling interests			23,594	26,440
TOTAL EQUITY			1,490,301	1,414,524
TOTAL LIABILITIES AND EQUITY			22,146,845	22,473,474

THE CHARTERED ACCOUNTANT

Luis Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

José Manuel Félix Morgado - CEO

João Carlos Martins da Cunha Neves

Luis Gabriel Moreira Maia Almeida

Fernando Ferreira Santo

João Belard da Fonseca Lopes Raimundo

Jorge Manuel Viana de Azevedo Pinto Bravo

Luis Miguel Resende de Jesus

CONSOLIDATED INCOME STATEMENT AS AT 30 JUNE 2015 AND 2014

(thousand euros)

	2015	2014 Restated
Interest and similar income	349,029	463,271
Interest and similar costs	223,007	302,695
NET INTEREST INCOME	126,022	160,576
Income from equity instruments	1,400	493
Income from services, fees and commissions	65,660	69,235
Expenses related to services, fees and commissions	16,464	17,517
Gains arising from assets and liabilities at fair value through profit or loss	11,199	508
Gains arising from financial assets available for sale	83,418	275,067
Gains arising from currency revaluation	7,239	9,849
Gains arising from sale of other assets	-7,821	-14,176
Other operating income	14,767	-6,956
NET OPERATING INCOME	285,420	477,079
Personnel expenses	101,839	95,282
General administrative overheads	57,757	54,504
Depreciation and amortisation	13,846	15,428
Provisions net of adjustments	-5,226	-1,252
Impairment of credit net of reversals and recoveries	151,286	265,353
Other financial asset impairments net of reversals and recoveries	10,667	25,708
Other asset impairments net of reversals and recoveries	8,417	3,097
Earnings from associates and joint ventures (equity method)	-4,116	208
EARNINGS BEFORE TAXES AND NON-CONTROLLING INTERESTS	-57,282	19,167
Taxes		
Current	218	-38,894
Deferred	27,670	26,939
Non-controlling interests	485	-1,003
CONSOLIDATED NET INCOME FOR THE PERIOD	-28,909	6,209

THE CHARTERED ACCOUNTANT
THE EXECUTIVE BOARD OF DIRECTORS

Luís Miguel Lines Andrade

José Manuel Félix Morgado - CEO

João Carlos Martins da Cunha Neves

Luís Gabriel Moreira Maia Almeida

Fernando Ferreira Santo

João Belard da Fonseca Lopes Raimundo

Jorge Manuel Viana de Azevedo Pinto Bravo

Luís Miguel Resende de Jesus

Caixa Económica Montepio Geral

Consolidated Income Statement for the six months period ended at 30 June 2015 and 2014

(Thousands of Euro)

	Notes	30 June 2015	30 June 2014 Restated
Interest and similar income	3	349 029	463 271
Interest and similar expense	3	223 007	302 695
Net interest income		126 022	160 576
Dividends from equity instruments	4	1 400	493
Fee and commission income	5	65 660	69 235
Fee and commission expense	5	(16 464)	(17 517)
Net gains/ (losses) arising from assets and liabilities at fair value through profit or loss	6	11 199	508
Net gains/(losses) arising from available-for-sale financial assets	7	83 418	275 067
Net gains/ (losses) arising from foreign exchange differences	8	7 239	9 849
Net gains/ (losses) arising from sale of other financial assets	9	(7 821)	(14 176)
Other operating income/ (expenses)	10	14 767	(6 956)
Total operating income		285 420	477 079
Staff costs	11	101 839	95 282
General and administrative expenses	12	57 757	54 504
Depreciation and amortization	13	13 846	15 428
Total operating costs		173 442	165 214
Loans impairment	14	151 286	265 353
Other financial assets impairment	15	10 667	25 708
Other assets impairment	16	8 417	3 097
Other provisions	17	(5 226)	(1 252)
Operating profit		(53 166)	18 959
Share of profit of associates under the equity method	18	(4 116)	208
Profit before income tax		(57 282)	19 167
Tax			
Current	32	218	(38 894)
Deferred	32	27 670	26 939
Profit / (loss) for the period		(29 394)	7 212
Profit / (loss) for the period attributable to Institutional capital and Participation Fund		(28 909)	6 209
Non-controlling interests	50	(485)	1 003
Profit / (loss) for the period		(29 394)	7 212

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

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

(Thousands of Euro)

	Notes	30 June 2015	31 December 2014
Assets			
Cash and deposits at central banks	19	360 059	284 813
Loans and advances to credit institutions repayable on demand	20	222 262	217 043
Other loans and advances to credit institutions	21	348 364	546 162
Loans and advances to customers	22	14 920 155	15 226 223
Financial assets held for trading	23	79 389	86 581
Financial assets available for sale	24	3 495 785	3 589 711
Hedging derivatives	25	32	60
Financial assets held to maturity	26	151 562	120 101
Investment in associated companies and others	27	20 749	24 650
Non-current assets held for sale	28	853 576	799 739
Investment properties	29	740 145	715 737
Property and equipment	30	92 611	98 931
Intangible assets	31	67 798	66 054
Current tax assets		5 278	2 664
Deferred tax assets	32	417 195	355 881
Other assets	33	371 885	339 124
		<u>22 146 845</u>	<u>22 473 474</u>
Liabilities			
Deposits from central banks	34	2 777 391	2 496 886
Deposits from other financial institutions	35	2 143 121	1 070 156
Deposits from customers	36	13 170 661	14 314 659
Debt securities issued	37	1 782 009	2 146 525
Financial liabilities relating to transferred assets	38	124 170	163 650
Financial liabilities held for trading	23	45 798	85 292
Hedging derivatives	25	1 119	1 494
Non-current liabilities held for sale		77	-
Provisions	39	14 246	20 329
Current tax liabilities		1 564	16 962
Other subordinated debt	40	331 491	373 279
Other liabilities	41	264 897	369 718
		<u>20 656 544</u>	<u>21 058 950</u>
Equity			
Institutional capital	42	1 500 000	1 500 000
Participation fund	43	400 000	200 000
Other equity instruments	44	8 273	8 273
Treasury stock	45	(21 716)	(3 280)
Revaluation reserves	47	(18 169)	18 516
Other reserves and retained earnings	46 and 47	(372 772)	(148 472)
Consolidated profit / (loss) for the period attributable to holders of institutional capital and participation fund		<u>(28 909)</u>	<u>(186 953)</u>
Total equity attributable to holders of institutional capital and participation fund		1 466 707	1 388 084
Non-controlling interests	49	23 594	26 440
		<u>1 490 301</u>	<u>1 414 524</u>
		<u>22 146 845</u>	<u>22 473 474</u>

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Consolidated Income Statement for the three months period between 1 April and 30 June 2015 and 2014

(Thousands of Euro)

	Notes	2nd Quarter 2015	2nd Quarter 2014 Restated
Interest and similar income	3	158 314	240 918
Interest and similar expense	3	94 902	162 220
Net interest income		63 412	78 698
Dividends from equity instruments	4	1 399	459
Fee and commission income	5	33 750	36 159
Fee and commission expense	5	(9 155)	(9 262)
Net gains / (losses) arising from financial assets and liabilities at fair value through profit or loss	6	(2 033)	(502)
Net gains / (losses) arising from available-for-sale financial assets	7	11 440	66 362
Net gains / (losses) arising from foreign exchange differences	8	7 324	4 931
Net gains / (losses) from sale of other financial assets	9	(13 895)	(9 224)
Other operating income/ (expenses)	10	10 190	1 798
Total operating income		102 432	169 419
Staff costs	11	51 095	49 282
General and administrative expenses	12	33 282	27 996
Depreciation and amortisation	13	6 887	6 237
Total operating costs		91 264	83 515
Loans impairment	14	83 689	115 885
Other financial assets impairment	15	7 278	7 519
Other assets impairment	16	5 373	1 435
Other provisions	17	(12 555)	(951)
Operating profit		(72 617)	(37 984)
Share of profit of associates under equity method	18	(4 413)	208
Profit before income tax		(77 030)	(37 776)
Tax			
Current	32	9 259	(16 405)
Deferred	32	28 686	17 213
Profit / (loss) for the period		(39 085)	(36 968)
Profit / (loss) for the period attributable to			
Institutional Capital and Participation Fund		(38 669)	(37 971)
Non-controlling interests	50	(416)	1 003
Profit / (loss) for the period		(39 085)	(36 968)

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Consolidated Statement of Cash Flows for the six months period ended at 30 June 2015 and 2014

	(Thousands of Euro)	
	<u>30 June 2015</u>	<u>30 June 2014</u>
Cash flows arising from operating activities		
Interest income received	364 393	435 699
Commissions income received	65 511	469
Interest expense paid	(267 691)	(331 386)
Commissions expense paid	(18 770)	(26 659)
Payments to employees and suppliers	(146 250)	(161 985)
Recoveries on loans previously written off	2 678	7 298
Other payments and receivables	(37 240)	310 494
Taxes	(3 936)	(38 264)
	<u>(41 305)</u>	<u>195 666</u>
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	431 386	(412 546)
Other assets	(196 847)	(84 152)
	<u>234 539</u>	<u>(496 698)</u>
(Increase) / decrease in operating liabilities		
Deposits from customers	(1 118 948)	239 729
Deposits from credit institutions	1 073 824	535 295
Deposits from central banks	300 814	(1 405 000)
	<u>255 690</u>	<u>(629 976)</u>
	<u>448 924</u>	<u>(931 008)</u>
Cash flows arising from investing activities		
Dividends received	1 400	493
(Acquisition) / sale of financial assets held for trading	3 283	1 410
(Acquisition) / sale of other financial assets at fair value through profit or loss	-	3 450
(Acquisition) / sale of available for sale financial assets	(19 926)	1 183 513
(Acquisition) / sale of hedging derivatives	(347)	328
(Acquisition) / sale of investments held to maturity	(30 791)	(55 543)
(Acquisition) / sale of shares in associated companies	7 676	10 328
Deposits owned with the purpose of monetary control	(78 102)	8 245
Acquisition of fixed assets	(36 191)	(172 194)
	<u>(152 998)</u>	<u>980 030</u>
Cash flows arising from financing activities		
Treasury stock	(18 436)	-
Capital increase	200 000	-
Repurchase of participation fund	-	(3 577)
Proceeds from issuance of bonds and subordinated debt	71 150	259 553
Reimbursement of bonds and subordinated debt	(465 287)	(335 499)
Increase / (decrease) in other sundry debtors	(80 990)	(13 865)
	<u>(293 563)</u>	<u>(93 388)</u>
Net changes in cash and cash equivalents	<u>2 363</u>	<u>(44 366)</u>
Cash and equivalents at the beginning of the period	<u>406 391</u>	<u>414 002</u>
Net changes in cash and cash equivalents	<u>2 363</u>	<u>(44 366)</u>
Cash and equivalents balance at the end of the period	<u>408 754</u>	<u>369 636</u>
Cash and equivalents balance at the end of the period includes:		
Cash (note 19)	186 492	147 828
Loans and advances to credit institutions repayable on demand (note 20)	222 262	221 808
Total	<u>408 754</u>	<u>369 636</u>

Caixa Económica Montepio Geral

Consolidated Statement of Changes in Equity
for six months period ended at 30 June 2015 and 2014

(Thousands of Euro)

	Total equity	Institutional Capital	Participation fund	Other equity instruments	General and special reserves	Fair value reserves	Other fair value reserves	Other reserves and retained earnings	Non-controlling interests
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 comprehensive income:									
Changes in fair value (note 47)	84 273	-	-	-	-	84 273	-	-	-
Deferred taxes related to balance sheet changes accounted against reserves (note 32)	(23 523)	-	-	-	-	(21 939)	-	(1 584)	-
Actuarial losses for the period	25 496	-	-	-	-	-	-	25 496	-
Profit for the period	7 212	-	-	-	-	-	-	6 209	1 003
Total comprehensive income for the period	93 458	-	-	-	-	62 334	-	30 121	1 003
Non-controlling interests (note 49)	137	-	-	-	-	-	-	-	137
Own participation fund	(3 577)	-	(3 577)	-	-	-	-	-	-
Other reserves	(10 482)	-	-	-	-	-	(11 026)	544	-
Balance on 30 June 2014	1 726 879	1 500 000	196 423	8 273	255 805	65 620	(25 845)	(285 572)	12 175
Other comprehensive income:									
Changes in fair value (note 47)	(39 234)	-	-	-	-	(26 016)	(13 218)	-	-
Deferred taxes related to balance sheet changes accounted against reserves (note 32)	2 136	-	-	-	-	7 698	-	(5 562)	-
Actuarial losses for the period	(107 550)	-	-	-	-	-	-	(107 550)	-
Profit / (loss) for the period	(192 589)	-	-	-	-	-	-	(193 162)	573
Total comprehensive income for the period	(337 237)	-	-	-	-	(18 318)	(13 218)	(306 274)	573
Non-controlling interests (note 49)	16 161	-	-	-	-	-	-	-	16 161
Dividends from Caixa Económica Montepio Geral	-	-	-	-	-	-	-	-	-
Dividends from Finbanco Angola, S.A.	(2 469)	-	-	-	-	-	-	-	(2 469)
Other reserves	10 893	-	-	-	-	-	10 277	616	-
Own participation fund	297	-	297	-	-	-	-	-	-
Balance on 31 December 2014	1 414 524	1 500 000	196 720	8 273	255 805	47 302	(28 786)	(591 230)	26 440
Other comprehensive income:									
Changes in fair value (note 47)	(103 185)	-	-	-	-	(103 185)	-	-	-
Deferred taxes related to balance sheet changes accounted for reserves (note 32)	33 644	-	-	-	-	34 126	-	(482)	-
Profit / (loss) for the period	(29 394)	-	-	-	-	-	-	(28 909)	(485)
Total comprehensive income for the period	(98 935)	-	-	-	-	(69 059)	-	(29 391)	(485)
Issue of participation units of the participation fund	200 000	-	200 000	-	-	-	-	-	-
Non-controlling interests (note 49)	(2 361)	-	-	-	-	-	-	-	(2 361)
Financial cost related to perpetual securities issued	(379)	-	-	-	-	-	-	(379)	-
Other reserves	(4 112)	-	-	-	-	-	32 374	(36 486)	-
Own participation fund	(18 436)	-	(18 436)	-	-	-	-	-	-
Balance on 30 June 2015	1 490 301	1 500 000	378 284	8 273	255 805	(21 757)	3 588	(657 486)	23 594

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income for the six months period ended at 30 June 2015

(Thousands of Euro)

		30 June 2015		
	Notes	<u>Total</u>	<u>Holders of institutional capital and participation fund</u>	<u>Non-controlling interests</u>
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	47	(103 185)	(103 185)	-
Taxes	32 and 47	34 126	34 126	-
		<u>(69 059)</u>	<u>(69 059)</u>	<u>-</u>
Items that won't be reclassified into the Income Statement				
Deferred taxes	32	(482)	(482)	-
Financial cost related to perpetual securities issued		(379)	(379)	-
		<u>(861)</u>	<u>(861)</u>	<u>-</u>
Profit / (loss) for the period		<u>(29 394)</u>	<u>(28 909)</u>	<u>(485)</u>
Total comprehensive income / (loss) for the period		<u>(99 314)</u>	<u>(98 829)</u>	<u>(485)</u>

Caixa Económica Montepio Geral

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

(Thousands of Euro)

		2nd Quarter 2015		
	Notes	<u>Total</u>	<u> Holders of institutional capital and participation fund</u>	<u>Non-controlling interests</u>
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	47	(98 424)	(98 424)	-
Taxes	32 and 47	28 974	28 974	-
		<u>(69 450)</u>	<u>(69 450)</u>	<u>-</u>
Items that won't be reclassified into the Income Statement				
Deferred taxes	32	(482)	(482)	-
Actuarial losses for the period		(22 500)	(22 500)	-
		<u>(22 982)</u>	<u>(22 982)</u>	<u>-</u>
Profit / (loss) for the period		<u>(39 085)</u>	<u>(38 669)</u>	<u>(416)</u>
Total comprehensive income / (loss) for the period		<u>(131 517)</u>	<u>(131 101)</u>	<u>(416)</u>

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income for the six months period ended at 30 June 2014

(Thousands of Euro)

		30 June 2014		
	Notes	<u>Total</u>	<u> Holders of institutional capital and participation fund</u>	<u>Non-controlling interests</u>
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	47	84 273	84 273	-
Taxes	32 and 47	(21 939)	(21 939)	-
		<u>62 334</u>	<u>62 334</u>	<u>-</u>
Items that won't be reclassified into the Income Statement				
Actuarial losses for the year		25 496	25 496	-
Deferred taxes	32	(1 584)	(1 584)	-
		<u>23 912</u>	<u>23 912</u>	<u>-</u>
Profit / (loss) for the year		<u>7 212</u>	<u>6 209</u>	<u>1 003</u>
Total of other comprehensive income / (loss) for the year		<u>93 458</u>	<u>92 455</u>	<u>1 003</u>

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income for the three months period between 1 April and 30 June 2014

(Thousands of Euro)

		2nd Quarter 2014		
	Notes	<u>Total</u>	<u> Holders of institutional capital and participation fund</u>	<u>Non-controlling interests</u>
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	47	(3 802)	(3 802)	-
Taxes	32 and 47	3 332	3 332	-
		<u>(470)</u>	<u>(470)</u>	<u>-</u>
Items that won't be reclassified into the Income Statement				
Actuarial losses for the period		25 496	25 496	-
Deferred taxes	32	(808)	(1 584)	-
		<u>24 688</u>	<u>23 912</u>	<u>-</u>
Profit / (loss) for the period		<u>(36 968)</u>	<u>(37 971)</u>	<u>1 003</u>
Total of other comprehensive income / (loss) for the period		<u>(12 750)</u>	<u>(14 529)</u>	<u>1 003</u>

Caixa Económica Montepio Geral

Notes to the Interim Consolidated Financial Statements

30 June 2015

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 six months period ended in 30 June 2015 and 2014.

In 2010, *Montepio Geral – Associação Mutualista*, CEMG’s 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, S.A.* and acquired as a result of loans and advances to costumers and a leasing portfolio (securities and real estate) in which *Finibanco, S.A.* is lessor and the fixed assets that materially support the operating leasing activities, and all associated liabilities and provisions.

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July 2002 and Regulation no. 1/2005 from the Bank of Portugal, Group’s consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body. The consolidated financial statements presented herein were approved by the Executive Board of Directors of CEMG on 20 August 2015. The financial statements are presented in Euro rounded to the nearest thousand.

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

The financial statements for the six months period ended on 30 June 2015 have been prepared in accordance with the IFRS, established by the European Union and in use in that period, considering the disclosures required by the standards defined in IAS 34. These financial statements also present the income statement for the second quarter of 2015, compared with the second quarter of the previous year. The financial statements for the six months period ended on 30 June 2015 do not include all the information required to be published on the annual financial statements.

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

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

IFRIC 21 - Levies

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

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

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

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

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

b) Basis of consolidation

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

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

Investments in subsidiaries

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

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

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

Investments in associates

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

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

- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the Group and the investee;
- Interchange of the management team; and
- Provision of essential technical information.

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

Goodwill – Differences arising from consolidation

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

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

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

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

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

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

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

Purchases and dilution of non-controlling interests

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

Loss of control

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

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

Investments in foreign subsidiaries and associates

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

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

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

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

Transactions eliminated on consolidation

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

c) Loans and advances to customers

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

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

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

Impairment

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

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

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

(i) Individual 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 estimated line of receipts and recoveries.

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

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

(ii) Collective assessment

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

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

The collective impairment loss is determined considering the following factors:

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

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

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

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

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

The interest from debt instruments are recognised as interest margin.

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

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

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

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

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

- The assets and liabilities are managed, evaluated and reported internally at its fair value;
- The designation eliminates or significantly reduces the accounting mismatch of the transactions; and
- The assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

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

2) Financial assets available for sale

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

3) Financial Assets Held to Maturity

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

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

4) Loans and receivables - Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

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

(ii) Impairment

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

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

(iii) Embedded derivatives

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

e) Derivatives hedge accounting

(i) Hedge accounting

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

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

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

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

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

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

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

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

- Deferred over the residual period of the hedged instrument; or
- Recognised immediately in results of the period, if the hedged instrument is extinguished.

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

(iv) Hedge effectiveness

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

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

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

f) Reclassifications between financial instruments categories

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

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

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

h) Equity instruments

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

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

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

i) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

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

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

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

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

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

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

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

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

k) Finance lease

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

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

l) Interest income and expense

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

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

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

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

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

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

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

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

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

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

- Fees and commissions earned as services are provided are recognised in income over the period in which the service is being provided; or
- Fees and commissions earned on the execution of a significant act, are recognised as income when the service is completed; and

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

o) Fiduciary activities

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

p) Property and equipment

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

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

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

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

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

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

q) Investment properties

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

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

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

r) Intangible assets

Software

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

s) Cash and cash equivalents

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

t) Offsetting

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

u) Foreign currency transactions

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

v) Employee benefits

Pensions

Arising from the signing of the “*Acordo Colectivo de Trabalho*” (ACT) and subsequent amendments resulting from the 3 tripartite agreements, CEMG and other Group entities set up a pension fund to cover the liabilities with pensions on retirement and disability, widows' pension, health-care benefits and death subsidy.

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

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

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

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

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

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

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

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

Health care benefits

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

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

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

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

Long-term service benefits

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

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

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

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

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

Bonus to employees and to the Executive Board of Directors

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

w) Income taxes

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

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

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

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

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

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

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

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

x) Segmental report

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

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

y) Provisions

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

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

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

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

z) Insurance and reinsurance brokerage services

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

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

Commission received for insurance brokerage services refer to:

- Commission that includes a fixed and a variable component. The fixed component is calculated by applying a predetermined rate over the amounts of subscriptions made through the CEMG and a variable component calculated based on predetermined criteria, total annual fees being the sum of the fees calculated monthly; and
- Commission for participation in the results of insurance, which are calculated annually and paid by the insurer in the beginning of the year following that to which they refer (up to January 31).

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

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

aa) Accounting estimates and judgments in applying accounting policies

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

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

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

Impairment of financial assets available for sale

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

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

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

Impairment losses on loans and advances to customers

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

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

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

Fair value of derivatives

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

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

Held to maturity investments

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

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

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

Entities included in the consolidation perimeter

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

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

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

Income taxes

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

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

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

Pension and other employees benefits

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

Changes in these assumptions could materially affect these values.

Goodwill impairment

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

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

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

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

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

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

The impact of this restatement in the financial statements of the first semester of 2014, resulted in a cost of Euro 6,426 thousands (see note 10) recorded in Other operating income/ (expenses) balance and a revenue of Euro 764 thousands (see note 32) recorded in Income Taxes.

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

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

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

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Net interest income	126 022	160 576
Net gains arising from assets and liabilities at fair value through profit and loss	11 199	508
Net gains arising from available-for-sale financial assets	83 418	275 067
	220 639	436 151

3 Net interest income

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Interest and similar income		
Interests from loans to customers	251 834	289 476
Interests from deposits and other investments	4 150	2 047
Interests from available-for-sale financial assets	35 291	107 321
Interest from held for trading financial assets	45 729	53 312
Interest from financial assets at fair value through profit or loss	-	50
Interest from held-to-maturity financial assets	4 507	2 615
Interest from hedging derivatives	87	418
Other interest and similar income	7 431	8 032
	349 029	463 271
Interest and similar expense		
Interest from deposits of customers	124 417	163 802
Interest from loans of Central Banks and other financial institutions	9 578	5 693
Interest from securities issued	36 306	44 441
Interest from subordinated liabilities	3 996	3 284
Interest from financial liabilities associated with transferred assets	112	29 063
Interest from held for trading financial liabilities	45 727	54 115
Interest from hedging derivatives	346	632
Other interest and similar expense	2 525	1 665
	223 007	302 695
Net interest income	126 022	160 576

The balances Interest from loans to customers and Other interest and similar expenses include the positive amount of Euro 11,805 thousands and the negative amount of Euro 2,469 thousands (30 June 2014: the positive amount of Euro 12,369 thousands and the negative amount of Euro 1,665 thousands), respectively, related to commissions and other gains / losses which are accounted for under the effective interest rate method, as referred in the accounting policy, note 1 l).

The balance Interest and similar expense – Interest from deposits of customers includes the negative amount of Euro 5,900 thousands regarding the accounting of interest on term deposits, with increasing interest rates (30 June 2014: a negative amount of Euro 4,293 thousands).

4 Dividends from equity instruments

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

5 Fee and commission income

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Fee and commission income		
From banking services	17 775	20 536
From transactions order by third parties	10 839	10 394
From commitments to third parties	1 345	2 160
From guarantees provided	4 065	4 798
From insurance activity	3 507	3 712
Other fee and comission income	28 129	27 635
	65 660	69 235
Fee and commission expense		
From banking services rendered by third parties	10 206	15 526
From commitments by third parties	3	-
From transactions with securities	273	283
Other fee and commission expense	5 982	1 708
	16 464	17 517
Net fee and commission income	49 196	51 718

At 30 June 2015 and 2014, commissions received on insurance brokerage services or reinsurance are analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Life insurance		
Mortgage	577	584
Consumer	668	625
Other	778	819
	2 023	2 028
Non-life insurance		
Mortgage	898	1 011
Consumer	19	69
Other	567	604
	1 484	1 684
	3 507	3 712

The commissions on insurance brokerage services were fully received in cash and all commissions resulted from insurance intermediation of *Lusitania, Companhia de Seguros, S.A.* and *Lusitania Vida, Companhia de Seguros, S.A.*

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

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2015			Jun 2014		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	9 955	14 109	(4 154)	96	-	96
Issued by other entities	68	75	(7)	108	57	51
Shares	8 330	7 013	1 317	1 678	21 831	(20 153)
Investment units	44	48	(4)	-	4 041	(4 041)
	<u>18 397</u>	<u>21 245</u>	<u>(2 848)</u>	<u>1 882</u>	<u>25 929</u>	<u>(24 047)</u>
Derivative financial instruments						
Exchange rate contracts	48 999	48 314	685	-	36 833	(36 833)
Interest rate contracts	93 745	92 932	813	127 268	62 442	64 826
Credit default contracts (CDS)	-	-	-	134	107	27
Futures contracts	2 046	2 112	(66)	1 534	3 019	(1 485)
Options contracts	10 583	10 661	(78)	7 283	7 313	(30)
Others	66 617	66 676	(59)	701	692	9
	<u>221 990</u>	<u>220 695</u>	<u>1 295</u>	<u>136 920</u>	<u>110 406</u>	<u>26 514</u>
Loans and other receivables						
Loans to customers	659	573	86	229	69	160
Others	14 088	6	14 082	-	-	-
	<u>14 747</u>	<u>579</u>	<u>14 168</u>	<u>229</u>	<u>69</u>	<u>160</u>
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities from other issuers	-	-	-	1 216	275	941
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 216</u>	<u>275</u>	<u>941</u>
Hedging derivatives						
Interest rate contracts	748	333	415	732	801	(69)
	<u>748</u>	<u>333</u>	<u>415</u>	<u>732</u>	<u>801</u>	<u>(69)</u>
Financial liabilities						
Deposits from other credit institutions	141	61	80	200	871	(671)
Deposits from customers	352	323	29	3 921	275	3 646
Debt securities issued	456	1 528	(1 072)	710	2 797	(2 087)
Other subordinated liabilities	447	1 616	(1 169)	-	2 146	(2 146)
	<u>1 396</u>	<u>3 528</u>	<u>(2 132)</u>	<u>4 831</u>	<u>6 089</u>	<u>(1 258)</u>
Other financial operations						
Loans to customers	-	543	(543)	-	543	(543)
Others	866	22	844	806	1 996	(1 190)
	<u>866</u>	<u>565</u>	<u>301</u>	<u>806</u>	<u>2 539</u>	<u>(1 733)</u>
	<u>258 144</u>	<u>246 945</u>	<u>11 199</u>	<u>146 616</u>	<u>146 108</u>	<u>508</u>

The balance Financial liabilities, includes fair-value changes related with changes in the operations of own credit risk (spread), in the amount of Euro 5,668 thousands (30 June 2014: Euro 14,410 thousands), as described in notes 33, 34, 35 and 38. Therefore, CEMG recognised in profit or loss for the period ended as at 30 June 2015, a negative amount of Euro 2,591 thousands (30 June 2014: Euro 4,171 thousands) referring to the fair value changes in the financial liabilities at fair value through profit or loss, attributable to credit risk of the entity itself.

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

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

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

The amount of this account is comprised of:

	(Thousands of Euro)					
	Jun 2015			Jun 2014		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	72 847	1 192	71 655	262 587	333	262 254
Issued by other entities	11 181	1 957	9 224	532	875	(343)
Shares	678	75	603	798	2	796
Other variable income securities	1 968	32	1 936	12 370	10	12 360
	86 674	3 256	83 418	276 287	1 220	275 067

As at 30 June 2015, the balance Fixed income securities – Bonds – issued by other public entities includes the amount of Euro 71,729 thousands (30 June 2014: Euro 262,147 thousands), related with realised gains and losses arising from the sale of treasury bonds of Portuguese domestic debt.

8 Net gains/ (losses) from foreign exchange differences

The amount of this account is comprised of:

	(Thousands of Euro)					
	Jun 2015			Jun 2014		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	227 636	220 397	7 239	26 301	16 452	9 849

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

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

The amount of this account is comprised of:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Jun 2014</u>
Sale of real estate properties	(13 456)	(14 059)
Sale of loans and advances to customers	6 025	-
Sale of other assets	(390)	(117)
	<u>(7 821)</u>	<u>(14 176)</u>

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

The balance Sale of real estate properties relates to the net gains/ (losses) generated with the sale of non-current assets held for sale and investment properties.

10 Other operating income/ (expenses)

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Other operating income		
Income from services	23 442	3 174
Profits arising from deposits on demand management	4 597	4 225
Reimbursement of expenses	4 022	3 670
Staff transfer	2 680	3 522
Repurchase of own securities	103	834
Others	31 018	23 454
	65 862	38 879
Other operating expense		
Specific contribution for banking sector	10 666	7 778
Repurchase of own issues	4 355	18
Taxes	2 852	840
Specific contributions for the Resolution Fund	2 278	1 850
Contributions for the Deposit Guarantee Fund	655	3 117
Donations and membership	495	243
Others	29 794	31 989
	51 095	45 835
Other net operating income/ (expenses)	14 767	(6 956)

As at 30 June 2015, the balance Other operating income – Income from services includes the amount of Euro 20,000 thousands, referring to the estimated cost with services rendered by the Group to *Montepio Geral Associação Mutualista*, according to the note 33.

As at 30 June 2015, the balance Other operating income – Staff transfer includes staff transfers in the amount of Euro 1,714 thousands (30 June 2014: Euro 2,898 thousands) carried out by the Group to *Montepio Geral Associação Mutualista*.

As at 30 June 2015 and 2014, the result from Repurchase of own issues is calculated in accordance with the accounting policy described in note 1 d) and refers to the repurchase of *Euro Medium Term Notes* and cash bonds.

At 30 June 2015, the balance Other operating income – Others, includes the amount of Euro 8,642 thousands (30 June 2014: Euro 8,877 thousands), referring to a real estate rents classified as investment properties.

The caption Specific contribution for the banking Sector is estimated in accordance with the terms of the Decree-Law 55-A/2010. The determination of the amount payable focuses on: (i) the annual average liability developed in balance deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and (ii) the notional amount of derivative financial instruments.

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

With the adoption of IFRIC 21, as defined in the accounting policy described in note 1 ab), the contributions for the banking sector and for the resolution fund corresponds to the total amount paid in each period.

The caption Other operating costs – Taxes includes the amount Euro 23 thousands (30 June 2014: Euro 373 thousands), regarding the payment of Municipal Tax over transactions (“*IMT*”). As at 30 June 2015, the balance Other operating expenses - Others, includes the amount of Euro 13,806 thousands (30 June 2014: Euro 5,127 thousands), referring to the recognition of potential losses associated to the revaluation of the real estate held as investment properties.

11 Staff costs

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Remunerations	74 401	69 535
Mandatory social security charges	18 865	18 699
Charges with the pension fund	6 153	4 388
Other staff costs	2 420	2 660
	101 839	95 282

At 30 June 2015 and 2014, the caption Charges with the pension fund refers to the current services cost of the first semester.

Additionally, as at 30 June 2014, the caption Charges with the pensions fund includes the amount of Euro 344 thousands related to the impact of early retirements.

12 General and administrative expenses

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Rental costs	14 217	14 143
Specialised services		
IT services	5 415	5 500
Independent work	1 254	1 019
Other specialised work	12 365	10 629
Communication costs	4 123	4 564
Maintenance and related services	3 378	2 581
Advertising costs	3 115	4 511
Water, energy and fuel	2 570	2 380
Insurance	1 524	1 444
Travel, hotel and representation costs	1 321	1 229
Transportation	1 250	1 409
Consumables	803	970
Training costs	201	141
Other supplies and services	6 221	3 984
	57 757	54 504

The balance Rental costs, includes the amount of Euro 12,853 thousands (30 June 2014: Euro 13,112 thousands) related to rents paid regarding buildings used by the Group as lessee.

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

13 Depreciation and amortisation

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Intangible assets		
<i>Software</i>	7 316	6 623
Other tangible assets		
Land and buildings	2 235	1 921
Equipment		
IT equipment	2 324	2 680
Fixtures	792	818
Furniture	459	423
Motor vehicles	351	188
Security equipment	203	493
Operational lease	71	2 201
Machinery	41	13
Other tangible assets	54	68
	6 530	8 805
	13 846	15 428

14 Loans impairment

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Other loans and advances to credit institutions		
Charge for the period	1 140	60
Write-back for the period	(524)	(503)
	616	(443)
Loans and advances to customers		
Charge for the period net of reversals	153 348	273 094
Recovery of loans and interest charged-off	(2 678)	(7 298)
	150 670	265 796
	151 286	265 353

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

15 Other financial assets impairment

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Impairment for available for sale financial assets		
Charge for the period	38 055	34 909
Write-back for the period	(27 388)	(9 201)
	10 667	25 708

As at 30 June 2015, the balance Impairment for financial assets available for sale – charge for the period includes the amount of Euro 36 thousands (30 June 2014: Euro 1,279 thousands) that corresponds to the impairment recognised for investments units in a Fund specialized in the recovery of loans, acquired under the sale of loans and advances to customers, as referred in notes 22, 24 and 58.

Additionally, as at 30 June 2015, the caption Impairment for financial assets available for sale – Charge for the period includes the amount of Euro 3,115 thousands, referred to recognised impairment for investments units in real estate funds, as mentioned in note 24.

As at 30 June 2015, this caption also includes the amount of Euro 2,338 thousands (30 June 2014: Euro 419 thousands) that corresponds to the additional impairment recognised for sovereign debt of Greece, as referred in notes 24 e 57 and the amount of Euro 1,144 thousands, referring to the impairment constituted over the Class B bonds, acquired within the sale of credits, as described in note 22 and 24.

16 Other assets impairment

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Impairment for non-current assets held for sale		
Charge for the period net of reversals	7 792	(869)
	7 792	(869)
Impairment for other assets		
Charge for the period	12 816	4 417
Write-back for the period	(12 191)	(451)
	625	3 966
	8 417	3 097

17 Other provisions

The amount of this account is comprised of:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Jun 2014</u>
Provision for other liabilities and charges		
Charge for the period	1 636	273
Write-back for the period	(6 862)	(1 525)
	<u>(5 226)</u>	<u>(1 252)</u>

18 Share of profit of associates under the equity method

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

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Jun 2014</u>
Montepio Seguros, S.G.P.S., S.A.	(4 013)	361
Iberpartners Cafés, S.G.P.S., S.A.	17	(9)
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	(120)	(144)
	<u>(4 116)</u>	<u>208</u>

19 Cash and deposits at central banks

This balance is analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Cash	186 492	189 348
Deposits at central banks		
Bank of Portugal	89 580	31 079
Other central banks	83 987	64 386
	<u>360 059</u>	<u>284 813</u>

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

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

20 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Credit institutions in Portugal	170 072	160 244
Credit institutions abroad	13 194	18 812
Amounts due for collection	38 996	37 987
	<u>222 262</u>	<u>217 043</u>

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

21 Other loans and advances to credit institutions

This balance is analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Loans and advances to credit institutions in Portugal		
Deposits	1 076	1 076
Loans	1	48
Purchase operations with resale agreement	30 190	-
Short-term investments	27 500	96 473
Other loans and advances	6 380	10 126
	<u>65 147</u>	<u>107 723</u>
Loans and advances to credit institutions abroad		
Deposits	7 008	19 653
Loans	3 197	1 284
Purchase operations with resale agreement	168 431	15 621
Short-term investments	1 560	286 883
Subordinated investments	209	271
Other loans and advances	103 741	115 040
	<u>284 146</u>	<u>438 752</u>
	349 293	546 475
Impairment for loans and advances to credit institutions	(929)	(313)
	<u>348 364</u>	<u>546 162</u>

The main loans and advances to credit institutions in Portugal, as at 30 June 2015, bear interest at an average annual interest rate of 0.14% (31 December 2014: 0.08%).

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

In the scope of operations of derivative financial instruments with institutional counterparties, and as defined in the respective contracts, the Group holds an amount of Euro 74,882 thousands (31 December 2014: Euro 103,263 thousands) related to deposits in credit institutions given as has collateral for the referred operations.

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

(Thousands of Euro)

	<u>Jun 2015</u>	<u>Jun 2014</u>
Balance as at 1 January	313	810
Charge for the period	1 140	60
Write-back for the period	(524)	(503)
Balance as at 30 June	<u>929</u>	<u>367</u>

22 Loans and advances to customers

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Domestic loans		
Corporate		
Loans	2 648 426	2 635 216
Commercial line of credits	939 857	1 072 130
Comercial paper	537 745	627 348
Financial lease	494 433	487 088
Discounted bills	115 696	111 241
Factoring	82 890	87 998
Overdrafts	27 537	68 131
Other loans	1 056 011	1 099 673
Retail		
Mortgage loans	7 587 168	7 763 579
Financial lease	72 739	75 312
Consumer and other loans	1 076 709	1 108 171
	14 639 211	15 135 887
Foreign loans		
Corporate	298 356	282 834
Retail	18 416	40 764
	14 955 983	15 459 485
Correction value os assets subject to hedge operations		
Other credits	3 656	4 113
	14 920 155	15 226 223
Overdue loans and interest		
Less than 90 days	188 100	134 300
More than 90 days	1 218 026	1 014 197
	1 406 126	1 148 497
	16 365 765	16 612 095
Impairment for credit risks	(1 445 610)	(1 385 872)
	14 920 155	15 226 223

As at 30 June 2015, the balance Loans and advances to customers includes the amount of Euro 2,723,689 thousands (31 December 2014: Euro 2,711,971 thousands) related to the issue of covered bonds held by the Group, according to Note 37.

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

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

- The exposure is out of sellers control as well as creditors control, namely in case of insolvency; and
- The seller does not maintain effective control, direct or indirect, on transferred exposures.

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

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

Regarding Class B securities, the Group will fully withhold this portion, in the amount of Euro 1,144 millions with a major degree of subordination with compliance of the disposed in Notice No. 9/2010, of the Bank of Portugal and in the article 405 to 410 of the Regulation (UE) No. 648/2012, of the European Parliament, of 4 July 2012. Additionally, considering that the securitisation has cash reserves, whose notes were bought by the Group, a provision for impairment losses of 100% over the paid amount, Euro 1,144 millions, was constituted, as described in note 15 and 24.

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

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

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

- Transference in full of the rights to the asset's future cash-flows;
- Existence or not of price adjustment (“contingent price”);
- Existence or not of rights on credits returns;
- Verification of the autonomy (autopilot); and
- Eventual control or influence by CEMG over Silver Equation.

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

As referred in notes 15, 24 and 58, the Group performed operations of sales of loans and advances to customers to funds specialized in credit recovery. The global amount of credits sold as at 30 June 2015 and 31 December 2014 amounted to Euro 71,207 thousands.

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

As at 30 June 2015, loans, guarantees and lines of irrevocable loans (excluding interbank transactions and money market) the Group granted to the holder of institutional capital and to the companies controlled by them, amounted to Euro 94,126 thousands (31 December 2014: Euro 95,621 thousands).

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

- May 2013: Issue of Euro 500,000 thousands; term: 4 years; and interest rate: Euribor 3M + 0.75%;
- July 2012: Refund of Euro 655,000 thousands;
- June 2012: Cancellation of Euro 53,300 thousands, with a score of Euro 1,857 thousands;
- November 2011: Issue of Euro 300,000 thousands; term: 5 years; an interest rate: Euribor 3M + 0.75%;
- October 2011: Cancellation of Euro 291,700 thousands, with a score of Euro 17,750 thousands;
- September 2011: Issue of Euro 550,000 thousands; term: 5 years; and interest rate: Euribor 3M + 0.75%;
- November 2010: Issue of Euro 500,000 thousands; term: 5 years; an interest rate: Euribor 3M + 2.5%;
- December 2009: Issue of Euro 150,000 thousands; term: 7 years; an interest rate: Euribor 3M + 0.75%; and

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

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

The securitisation performed by the Group is related to mortgages credits, consumer credit, leasing and loans to firms realized through special purpose entities (SPE's). As referred in accounting policy described in note 1 b), the SPE's are consolidated by the full method. Therefore, as at 30 June 2015, the amount of loans and advances to customers (net of impairment), includes the amount of Euro 181,090 thousands (31 December 2014: Euro 191,970 thousands), referring to securitisations operations which according to the accounting policy described in the note 1 b), are consolidated in the Group under the full method, as described in the Note 54.

As at 30 June 2015, the balance Loans and advances to customers includes the amount of Euro 4,170,710 thousands (31 December 2014: Euro 3,219,099 thousands) related with loans object of securitisation that, in accordance with note 1 g), were not subject of derecogniton.

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Mortgage	2 853 848	2 927 601
Retail	382 849	291 409
Corporate	934 013	89
	4 170 710	3 219 099

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

The fair value of loans and advances to customers' portfolio is presented in Note 51.

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

The balance Loans and advances to customers, by maturity and type of credit, for the period ended as at 30 June 2015, is analysed as follows:

(Thousands of Euro)

	Loans and advances to customers				
	Due within 1 year	1 year to 5 years	Over 5 years	Indefinite	Total
Asset-back loans	469 368	1 020 747	9 766 606	786 701	12 043 422
Other guarantee loans	883 625	334 549	381 020	343 788	1 942 982
Finance lease loans	17 485	291 693	257 994	50 098	617 270
Commercial paper	537 745	-	-	63 927	601 672
Other loans	434 593	188 375	375 839	161 612	1 160 419
	<u>2 342 816</u>	<u>1 835 364</u>	<u>10 781 459</u>	<u>1 406 126</u>	<u>16 365 765</u>

The balance Loans and advances to customers, by maturity and type of credit, for the year ended as at 31 December 2014, is analysed as follows:

(Thousands of Euro)

	Loans and advances to customers				
	Due within 1 year	1 year to 5 years	Over 5 years	Indefinite	Total
Asset-back loans	473 687	1 168 163	9 781 530	633 646	12 057 026
Other guarantee loans	684 273	74 941	640 545	298 141	1 697 900
Finance lease loans	18 352	218 190	325 858	49 759	612 159
Commercial paper	627 348	-	-	-	627 348
Other loans	762 194	255 572	432 945	166 951	1 617 662
	<u>2 565 854</u>	<u>1 716 866</u>	<u>11 180 878</u>	<u>1 148 497</u>	<u>16 612 095</u>

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

(Thousands of Euro)

	Finance leases			
	Due within 1 year	1 year to 5 years	Over 5 years	Total
Outstanding rents	75 684	291 453	184 442	551 579
Outstanding interest	(16 579)	(54 069)	(42 331)	(112 979)
Residual values	11 307	61 065	56 200	128 572
	<u>70 412</u>	<u>298 449</u>	<u>198 311</u>	<u>567 172</u>

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

(Thousands of Euro)

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

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

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

(Thousands of Euro)

	Jun 2015	Dec 2014
	Asset-back loans	786 701
Other guarantee loans	343 788	298 141
Finance lease loans	50 098	49 759
Commercial paper	63 927	-
Other loans	161 612	166 951
	<u>1 406 126</u>	<u>1 148 497</u>

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

(Thousands of Euro)

	Jun 2015	Dec 2014
	Corporate	
Construction/Production	303 114	267 505
Investment	385 354	276 859
Treasury	460 354	353 667
Other loans	21 486	27 726
Retail		
Mortgage loans	71 511	69 354
Consumer credit	49 064	45 457
Other loans	69 232	53 181
Public sector	583	456
Other segments	45 428	54 292
	<u>1 406 126</u>	<u>1 148 497</u>

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

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Jun 2014</u>
Balance on 1 January	1 385 872	1 051 526
Charge for the period net of reversals	151 286	273 094
Loans charged-off	(91 548)	(18 586)
Transfers	-	7 525
Balance on 30 June	<u>1 445 610</u>	<u>1 313 559</u>

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

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

Impairment for credit risks, by type of credit, is presented as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Asset-back loans	816 041	795 564
Other guaranteed loans	338 470	350 715
Loans represented by commercial paper	94 963	73 886
Unsecured loans	166 136	165 707
	<u>1 415 610</u>	<u>1 385 872</u>

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

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

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Jun 2014</u>
Asset-back loans	25 588	5 830
Other guaranteed loans	12 719	3 411
Unsecured loans	53 241	9 345
	<u>91 548</u>	<u>18 586</u>

The recovered loans and overdue interest, performed in the period between 1 January and 30 June 2015 and 2014, includes the amount of Euro 2,678 thousands and Euro 7,298 thousands, respectively, related with the recovery of asset-backed loans, as referred in note 14.

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

As at 30 June 2015 and 31 December 2014, the impairment detail according to note 1 c) described in the accounting policies, is as follows:

(Thousands of Euro)

	Jun 2015						
	Impairment on an individual basis		Impairment on a portfolio basis		Total		Loan net of impairment
	Loan value	Impairment	Loan value	Impairment	Loan value	Impairment	
Corporate loans	5 324 208	892 338	3 014 490	341 335	8 338 698	1 233 673	7 105 025
Retail – Mortgages	18 880	2 096	7 637 793	104 202	7 656 673	106 298	7 550 375
Retail – Other	80 709	22 686	826 850	82 953	907 559	105 639	801 920
	<u>5 423 797</u>	<u>917 120</u>	<u>11 479 133</u>	<u>528 490</u>	<u>16 902 930</u>	<u>1 445 610</u>	<u>15 457 320</u>

(Thousands of Euro)

	Dec 2014						
	Impairment on an individual basis		Impairment on a portfolio basis		Total		Loan net of impairment
	Loan value	Impairment	Loan value	Impairment	Loan value	Impairment	
Corporate loans	5 375 331	848 851	2 985 454	326 952	8 360 785	1 175 803	7 184 982
Retail – Mortgages	19 095	2 407	7 812 919	100 797	7 832 014	103 204	7 728 810
Retail – Others	91 428	18 734	862 215	88 131	953 643	106 865	846 778
	<u>5 485 854</u>	<u>869 992</u>	<u>11 660 588</u>	<u>515 880</u>	<u>17 146 442</u>	<u>1 385 872</u>	<u>15 760 570</u>

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

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Total of loans	<u>16 902 930</u>	<u>17 146 442</u>
Individually significant		
Gross amount	5 423 797	5 485 854
Impairment	<u>(917 120)</u>	<u>(869 992)</u>
Net amount	<u>4 506 677</u>	<u>4 615 862</u>
Collective analysis		
Loans with impairment triggers		
Gross amount	2 163 036	2 165 706
Impairment	<u>(496 589)</u>	<u>(485 922)</u>
Net amount	<u>1 666 447</u>	<u>1 679 784</u>
Loans and advances to customers without impairment	9 316 097	9 494 882
Impairment (IBNR)	<u>(31 901)</u>	<u>(29 958)</u>
Loans net of impairment	<u><u>15 457 320</u></u>	<u><u>15 760 570</u></u>

The balance Total of loans includes direct loans to customers and indirect loans, accounted in the balance Guarantees and other commitments (as described in note 50), in the amount of Euro 537,165 thousands (31 December 2014: Euro 534,347 thousands).

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Loans with impairment:		
Individually significant:		
Securities and other financial assets	345 435	365 418
Residential real estate (Mortgage loans)	105 165	102 566
Other real estate (Civil Construction)	2 646 613	2 795 126
Other guarantees	420 902	399 753
	3 518 115	3 662 863
Parametric analysis:		
Securities and other financial assets	49 771	56 897
Residential real estate (Mortgage loans)	1 689 388	1 795 475
Other real estate (Civil construction)	517 508	625 995
Other guarantees	39 532	56 357
	2 296 199	2 534 724
Loans without impairment:		
Securities and other financial assets	513 547	491 558
Residential real estate (Mortgage loans)	12 912 869	13 280 989
Other real estate (Civil Construction)	807 391	851 571
Other guarantees	290 646	611 296
	14 524 453	15 235 414
	20 338 767	21 433 001

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.

According with the present scenario of real estate and financial markets, the Group continued to negotiate, during the first 2015 semester, the strengthening of physical and financial collaterals with their customers.

The loans portfolio includes restructured loans that have been formally negotiated with customers and consequent creation of new funding to replace the previous ones. The restructuring may result from an increase of guarantees and / or settlement credit and involve an extension of maturities or interest rate changes. The analysis of restructured loans by type of credit, is as follows:

(Thousands of Euro)

	Jun 2015		Dec 2014	
	Credit amount	Impairment	Credit amount	Impairment
Corporate				
Construction/Production	270 127	91 716	297 705	88 376
Investment	748 934	239 603	715 435	195 855
Treasury	146 323	53 616	151 089	49 658
Other loans	65	5	65	11
Retail	-	-	-	-
Mortgage loans	327 216	23 093	346 580	19 257
Consumer credit	15 253	3 610	17 383	3 537
Other loans	80 784	10 885	85 145	12 717
Public sector	1 417	50	42	1
Other segments	70 605	32 125	70 502	31 828
	1 660 724	454 703	1 683 946	401 240

As at 30 June 2015 and 31 December 2014, the credit exposures by segment and impairment are presented as follows:

(Thousands of Euro)

Segment	Exposure Jun 2015				Impairment Jun 2015			
	Total Exposure	Credit in compliance	Restructured credit in compliance	Default credit	Restructured default credit	Total impairment	Credit in compliance	Default credit
Corporate	5 799 780	4 896 224	145 547	903 557	314 555	651 773	191 971	459 802
Construction and CRE	2 538 918	1 366 646	235 876	1 172 272	540 653	581 900	89 871	492 029
Retail - Mortgages	7 656 673	7 281 073	241 651	375 600	123 265	106 298	15 354	90 944
Retail - others	907 559	749 195	30 785	158 364	28 394	105 639	25 225	80 414
	16 902 930	14 293 138	653 859	2 609 793	1 006 867	1 445 610	322 421	1 123 189

(Thousands of Euro)

Segment	Exposure Dec 2014				Impairment Dec 2014			
	Total exposure	Credit in compliance	Restructured credit in compliance	Default credit	Restructured default credit	Total impairment	Credit in compliance	Default credit
Corporate	5 774 440	4 998 966	197 609	775 474	234 900	613 707	227 462	386 245
Construction and CRE	2 586 345	1 508 077	333 721	1 078 268	488 189	562 096	121 409	440 687
Retail - Mortgage	7 832 014	7 456 896	275 984	375 118	110 954	103 204	16 822	86 382
Retail - others	953 643	793 320	35 773	160 323	29 104	106 865	24 263	82 602
	17 146 442	14 757 259	843 087	2 389 183	863 147	1 385 872	389 956	995 916

(Thousands of Euro)

Segment	Total exposure Jun 15						Total impairment Jun 15				
	Total Exposure Dec 2014	Credit in compliance			Default credit		Total impairment Dec 14	Credit in compliance		Default credit	
		Without signs	Overdue days <30 With signs	Sub-total	Overdue days <= 90*	Overdue days > 90 days		Overdue days < 30	Overdue days between 30 - 90	Overdue days <= 90*	Overdue days > 90 days
Corporate	5 799 780	4 138 354	599 791	4 738 145	241 778	661 779	651 773	136 329	55 642	110 436	349 366
Construction and CRE	2 538 918	832 917	410 883	1 243 806	337 148	835 124	581 900	56 337	33 534	116 692	375 337
Retail - Mortgage	7 656 673	6 557 784	630 959	7 188 743	27 380	348 220	106 298	11 553	3 801	4 007	86 937
Retail - others	907 559	594 064	119 313	713 907	6 668	151 696	105 639	6 850	18 375	1 749	78 665
	16 902 930	12 123 119	1 760 946	13 884 601	612 974	1 996 819	1 445 610	211 069	111 352	232 884	890 305

(Thousands of Euro)

Segment	Total exposure Dec 2014						Total impairment Dec 2014				
	Total exposure Dec 2014	Credit in compliance			Credit in default		Total impairment Dec 14	Credit in compliance		Credit in default	
		Without signs	Overdue days <30 With signs	Sub-total	Overdue days <= 90*	Overdue days > 90 days		Overdue days < 30	Overdue days between 30 - 90	Overdue days <= 90*	Overdue days > 90 days
Corporate	5 774 440	4 499 579	593 988	5 093 567	282 382	520 203	613 707	215 838	11 624	98 607	287 638
Construction and CRE	2 586 345	979 418	527 583	1 507 001	368 147	747 816	562 096	112 273	9 135	113 957	326 731
Retail - Mortgage	7 832 014	6 456 670	648 500	7 105 170	32 807	329 455	103 204	12 143	4 678	5 469	80 914
Retail - others	953 643	611 771	135 937	747 708	13 737	141 092	106 865	21 747	2 516	7 577	75 025
	17 146 442	12 547 438	1 906 008	14 453 446	697 073	1 738 566	1 385 872	362 001	27 953	225 610	770 308

As at 30 June 2015, the credit portfolio by segment and production year is presented as follows:

(Thousands of Euro)

Production year	Corporate			Construction and CRE			Retail - Mortgage			Retail - Others		
	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment
2004 and before	2 721	165 787	30 802	2 078	384 467	166 539	65 950	2 618 607	39 645	43 651	40 179	8 230
2005	867	43 979	9 589	623	128 334	43 451	15 073	888 838	12 640	5 227	12 976	2 058
2006	1 235	65 049	11 216	834	155 567	54 072	17 999	1 076 782	17 158	8 127	47 563	14 234
2007	2 410	154 676	32 950	1 312	229 385	53 412	18 191	1 073 478	17 360	45 929	56 717	15 597
2008	8 573	158 929	40 379	2 747	161 615	32 371	9 535	563 865	8 709	62 546	57 920	10 391
2009	10 895	226 913	45 746	3 668	225 328	59 839	5 305	359 993	4 215	46 524	64 051	11 151
2010	12 284	370 222	76 634	2 433	177 375	37 062	5 492	401 244	3 535	26 050	79 891	14 042
2011	15 617	400 148	61 642	3 510	147 552	30 043	2 144	156 912	1 077	27 357	72 442	10 423
2012	11 767	452 170	56 751	2 312	152 563	23 771	1 457	108 445	835	16 718	62 913	7 249
2013	21 614	896 501	113 285	2 584	258 487	45 895	1 838	142 020	764	24 269	98 377	5 786
2014	30 425	1 431 917	97 593	4 654	341 387	27 841	2 106	162 077	250	35 888	193 107	4 711
	18 597	1 433 489	75 186	3 141	176 858	7 604	1 311	104 412	110	20 480	121 423	1 767
	137 005	5 799 780	651 773	29 896	2 538 918	581 900	146 401	7 656 673	106 298	362 766	907 559	105 639

As at 31 December 2014, the credit portfolio by segment and production year is presented as follows:

(Thousands of Euro)

Production year	Corporate			Construction and CRE			Retail - Mortgage			Retail - Others		
	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment
2004 and before	2 890	167 943	29 657	2 156	400 707	164 975	67 290	2 746 589	39 786	45 857	45 442	9 598
2005	964	54 112	9 683	579	132 390	44 156	15 371	917 281	12 437	5 709	14 936	2 335
2006	1 362	86 995	11 401	823	177 329	55 376	18 238	1 107 974	16 471	8 971	51 597	10 421
2007	2 826	168 723	33 924	1 408	244 721	55 550	18 462	1 105 686	16 599	49 595	66 419	14 466
2008	9 183	176 275	39 353	2 780	182 139	36 757	9 673	580 279	7 771	65 284	70 372	13 149
2009	11 602	256 305	45 456	3 825	252 673	58 566	5 387	370 653	3 936	48 414	78 336	14 803
2010	12 885	438 505	70 010	2 593	187 505	38 492	5 577	414 490	3 382	28 769	95 218	14 673
2011	17 837	407 781	57 444	3 890	159 296	27 175	2 181	162 034	913	29 248	88 842	10 576
2012	11 989	494 232	54 037	2 544	177 120	31 674	1 492	112 642	859	17 772	73 054	6 627
2013	22 047	1 056 616	100 094	2 664	267 584	30 573	1 877	146 837	748	25 740	125 604	5 454
2014	37 378	2 466 952	162 648	6 066	404 881	18 802	2 123	167 549	302	37 011	243 823	4 763
	130 963	5 774 440	613 707	29 328	2 586 345	562 096	147 671	7 832 014	103 204	362 370	953 643	106 865

As at 30 June 2015 and 31 December 2014, the gross value exposure and individual and collective impairment by segment are presented as follows:

(Thousands of Euro)

	Jun 2015									
	Corporate		Construction and CRE		Retail - Mortgage		Retail - Others		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation										
Individual	3 365 418	419 923	1 958 790	472 415	18 880	2 096	80 709	22 686	5 423 797	917 120
Collective	2 434 362	231 850	580 128	109 485	7 637 793	104 202	826 850	82 953	11 479 133	528 490
	5 799 780	651 773	2 538 918	581 900	7 656 673	106 298	907 559	105 639	16 902 930	1 445 610

(Thousands of Euro)

	Dec 2014									
	Corporate		Construction and CRE		Retail - Mortgage		Retail - Others		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation										
Individual	3 378 629	392 708	1 996 702	456 143	19 095	2 407	91 428	18 734	5 485 854	869 992
Collective	2 395 811	220 999	589 643	105 953	7 812 919	100 797	862 215	88 131	11 660 588	515 880
	5 774 440	613 707	2 586 345	562 096	7 832 014	103 204	953 643	106 865	17 146 442	1 385 872

At 30 June 2015 and 31 December 2014, the gross value exposure and individual and collective impairment, by activity sector, are presented as follows:

(Thousands of Euro)

30.06.2015	Construction		Industry		Commerce		Real Estate Activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation												
Individual	1 137 338	296 821	577 155	57 193	458 586	57 154	728 391	159 736	2 422 738	321 434	5 324 208	892 338
Colectiva	314 651	73 807	854 896	67 642	819 266	106 641	119 637	13 864	906 040	79 381	3 014 490	341 335
Total	1 451 989	370 628	1 432 051	124 835	1 277 852	163 795	848 028	173 600	3 328 778	400 815	8 338 698	1 233 673

31.12.2014	Construction		Industry		Commerce		Real Estate Activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation												
Individual	1 216 112	296 817	591 919	53 739	445 196	54 271	688 247	145 318	2 433 858	298 707	5 375 332	848 852
Colectiva	325 250	70 896	863 470	66 055	813 653	98 960	118 231	14 728	864 849	76 312	2 985 453	326 951
Total	1 541 362	367 713	1 455 389	119 794	1 258 849	153 231	806 478	160 046	3 298 707	375 019	8 360 785	1 175 803

As at 30 June 2015 and 31 December 2014, the gross value exposure and individual and collective impairment by geography are presented as follows:

(Thousands of Euro)

	Jun 2015							
	Portugal		Angola		International		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	5 423 797	917 120	-	-	-	-	5 423 797	917 120
Collective	11 070 593	505 364	370 111	18 047	38 429	5 079	11 479 133	528 490
	<u>16 494 390</u>	<u>1 422 484</u>	<u>370 111</u>	<u>18 047</u>	<u>38 429</u>	<u>5 079</u>	<u>16 902 930</u>	<u>1 445 610</u>

(Thousands of Euro)

	Dec 2014							
	Portugal		Angola		International		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	5 485 854	869 992	-	-	-	-	5 485 854	869 992
Collective	11 216 913	493 451	410 967	17 836	32 708	4 593	11 660 588	515 880
	<u>16 702 767</u>	<u>1 363 443</u>	<u>410 967</u>	<u>17 836</u>	<u>32 708</u>	<u>4 593</u>	<u>17 146 442</u>	<u>1 385 872</u>

As at 30 June 2015 and 31 December 2014, the restructured credit portfolio by restructuration measure is presented as follows:

(Thousands of Euro)

Measure	Jun 15								
	Credit in compliance			Credit in default			Total		
	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Term extension	1 132	104 302	4 106	474	71 835	26 910	1 606	176 137	31 016
Shortage period	3 457	399 669	33 674	2 205	708 069	253 872	5 662	1 107 738	287 546
New operation with settlement	1 098	47 410	2 021	587	37 842	13 432	1 685	85 252	15 453
Interest rate decrease	14	1 045	18	127	15 866	4 595	141	16 911	4 613
Others	661	101 433	28 216	652	173 255	88 280	1 313	274 688	116 496
	<u>6 362</u>	<u>653 859</u>	<u>68 035</u>	<u>4 045</u>	<u>1 006 867</u>	<u>387 089</u>	<u>10 407</u>	<u>1 660 726</u>	<u>455 124</u>

(Thousands of Euro)

Measure	Dec 14								
	Credit in compliance			Credit in default			Total		
	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Term extension	1 261	124 409	11 994	447	65 850	11 890	1 708	190 259	23 884
Shortage period	3 990	536 962	64 403	2 064	589 514	185 031	6 054	1 126 476	249 434
New operation with settlement	1 225	55 203	2 691	480	24 134	7 907	1 705	79 337	10 598
Interest rate decrease	28	4 743	102	131	13 249	4 337	159	17 992	4 439
Others	712	121 770	31 755	714	170 400	81 129	1 426	292 170	112 884
	<u>7 216</u>	<u>843 087</u>	<u>110 945</u>	<u>3 836</u>	<u>863 147</u>	<u>290 294</u>	<u>11 052</u>	<u>1 706 234</u>	<u>401 239</u>

The inflows and outflows in the restructured credit portfolio are presented as follows:

(Thousands of Euro)

	Jun 15	Dec 2014
Initial balance of the restructured portfolio (gross of impairment)	1 706 234	1 624 305
Restructured credit in the period	103 847	293 593
Accrued interest of the restructured portfolio	1 399	1 203
Restructured credit settlement	(77 576)	(185 791)
Reclassified credits from "restructured" to "normal"	(588)	(390)
Others	(72 590)	(26 686)
Final balance of restructured portfolio (gross of impairment)	1 660 726	1 706 234

As at 30 June 2015, the fair value of collateral underlying to credit portfolio of Corporate, Construction and Commercial Real Estate (CRE) and Retail - Mortgages segments is presented as follows:

(Thousands of Euro)

Fair value	Construction and CRE				Retail - Mortgage			
	Real Estate		Other real collaterals		Real Estate		Other real collaterals	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	5 357	682 153	1 923	77 547	113 492	14 298 507	326	12 582
>= 0,5 M€ and <1M€	361	252 130	52	31 572	364	227 231	1	500
>= 1 M€ and <5M€	405	830 207	34	57 553	33	45 125	1	1 340
>= 5 M€ and <10M€	51	374 007	3	19 115	-	-	-	-
>= 10 M€ and <20M€	35	452 483	1	12 609	-	-	-	-
>= 20 M€ and <50M€	10	307 691	-	-	-	-	-	-
>= 50M€	2	201 334	-	-	-	-	-	-
	6 221	3 100 005	2 013	198 396	113 889	14 570 863	328	14 422

As at 31 December 2014, the fair value of collateral underlying to credit portfolio of Corporate, Construction and Commercial Real Estate (CRE) and Retail - Mortgages segments is presented as follows:

(Thousands of Euro)

Fair value	Construction and CRE				Retail - Mortgage			
	Real Estate		Other real collaterals		Real Estate		Other real collaterals	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	5 208	686 595	1 939	79 963	114 236	14 730 677	317	12 532
>= 0,5 M€ and <1M€	401	280 853	49	29 877	406	252 514	1	500
>= 1 M€ and <5M€	487	996 232	38	63 339	37	50 955	1	1 584
>= 5 M€ and <10M€	61	442 890	2	13 690	-	-	-	-
>= 10 M€ and <20M€	36	473 288	1	12 609	-	-	-	-
>= 20 M€ and <50M€	11	326 858	-	-	-	-	-	-
>= 50M€	2	201 334	-	-	-	-	-	-
	6 206	3 408 050	2 029	199 478	114 679	15 034 146	319	14 616

As at 30 June 2015 and 31 December 2014, the LTV ratio of Corporate, Construction and CRE and Retail - Mortgage segments is presented as follows:

(Thousands of Euro)

Jun 15				
Segment/ Ratio	Number of real estate	Credi in compliance	Credit in default	Impairment
Corporate				
Without real estate associated ^(*)	n.a.	4 099 643	582 536	506 392
< 60%	2 242	303 870	64 976	31 249
>= 60% and < 80%	951	229 023	45 579	17 623
>= 80% and < 100%	989	234 067	117 961	41 416
>= 100%	261	29 621	92 505	55 093
Construction and CRE				
Without real estate associated ^(*)	n.a.	709 128	389 279	213 998
< 60%	2 062	220 776	194 452	82 620
>= 60% and < 80%	968	101 527	171 713	57 440
>= 80% and < 100%	1 897	173 821	152 139	54 483
>= 100%	1 294	161 394	264 689	173 359
Retail - Mortgage				
Without real estate associated ^(*)	n.a.	612 820	57 835	16 179
< 60%	64 344	2 633 923	49 618	13 146
>= 60% and < 80%	28 426	2 250 525	59 519	16 350
>= 80% and < 100%	18 364	1 636 976	90 117	24 951
>= 100%	2 755	146 829	118 511	35 672

(*) Includes operations with other types of associated collaterals, namely, financial collaterals.

(Thousands of Euro)

Dec 14				
Segment/ Ratio	Number of real estate	Credit in compliance	Credit in default	Impairment
Corporate				
Without real estate associated ^(*)	n.a.	4 252 770	521 698	489 210
< 60%	2 209	299 971	41 334	21 335
>= 60% and < 80%	870	165 167	79 987	15 491
>= 80% and < 100%	950	224 700	45 350	22 238
>= 100%	240	56 358	87 105	65 433
Construction and CRE				
Without real estate associated ^(*)	n.a.	789 393	368 842	205 318
< 60%	2 130	250 275	153 948	74 429
>= 60% and < 80%	994	158 059	140 452	58 304
>= 80% and < 100%	1 858	167 776	168 322	70 363
>= 100%	1 224	142 574	246 704	153 682
Retail - Mortgage				
Without real estate associated ^(*)	n.a.	641 911	59 393	16 215
< 60%	65 197	2 726 701	55 157	14 079
>= 60% and < 80%	29 630	2 374 375	68 338	18 081
>= 80% and < 100%	17 659	1 601 013	93 567	25 031
>= 100%	2 193	112 896	98 663	29 798

(*) Includes operations with other types of associated collaterals, namely, financial collaterals.

As at 30 June 2015 and 31 December 2014, the fair value and net value of real estate received as default payments, by asset type and ageing, are presented as follows:

(Thousands of Euro)

Jun 2015			
Asset	Number of real estate	Asset fair value	Book value
Property	1 711	301 324	284 801
Urban	1 506	232 484	221 751
Rural	205	68 840	63 050
Buildings under construction	523	128 713	118 845
Commercial	40	4 339	3 012
Housing	483	124 374	115 833
Others	-	-	-
Constructed buildings	3 973	498 894	449 930
Commercial	1 011	144 394	126 002
Housing	2 943	348 308	318 241
Others	19	6 192	5 687
Others	-	-	-
Total	6 207	928 931	853 576

Dec 2014			
Asset	Number of real estate	Asset fair value	Book value
Property	1 605	309 119	258 009
Urban	1 351	243 732	219 929
Rural	254	65 387	58 080
Building under construction	569	134 798	125 016
Commercial	88	7 635	6 571
Housing	468	126 983	118 267
Others	13	180	178
Constructed buildings	3 584	440 664	396 714
Commercial	921	139 361	121 685
Housing	2 151	292 554	267 752
Others	512	8 749	7 277
	5 758	884 581	779 739

As at 30 June 2015 and 31 December 2014, the elapsed time since the recovery/execution of real estate received is presented as follows:

(Thousands of Euro)

Elapsed time since the recovery / execution	Jun 2015				Total
	< 1 year	>= 1 year and < 2,5 years	>= 2,5 years and < 5 years	>= 5 years	
Property	55 475	138 814	64 128	3 222	261 639
Urban	30 828	104 879	59 662	3 220	198 589
Rural	24 647	33 935	4 466	2	63 050
Buildings under construction	40 957	53 433	24 172	283	118 845
Commercial	226	2 056	730	-	3 012
Housing	40 731	51 377	23 442	283	115 833
Others	-	-	-	-	-
Buildings constructed	134 873	203 396	104 369	7 292	449 930
Commercial	31 249	68 039	24 831	1 883	126 002
Housing	101 161	132 133	79 538	5 409	318 241
Others	2 463	3 224	-	-	5 687
Others					-
	231 305	395 643	192 669	10 797	830 414

(Thousands of Euro)

Elapsed time since the recovery / execution	Dec 2014				Total
	< 1 year	>= 1 year and < 2,5 years	>= 2,5 years and < 5 years	>= 5 years	
Property	59 015	162 571	33 670	2 753	258 009
Urban	50 676	116 810	30 142	2 301	199 929
Rural	8 339	45 761	3 528	452	58 080
Buildings under construction	23 587	62 756	38 562	111	125 016
Commercial	887	3 347	2 337	-	6 571
Housing	22 664	59 267	36 225	111	118 267
Others	36	142	-	-	178
Constructed buildings	144 962	193 408	49 634	8 710	396 714
Commercial	25 174	78 700	15 323	2 488	121 685
Housing	116 538	111 344	33 922	5 948	267 752
Others	3 250	3 364	389	274	7 277
	227 564	418 735	121 866	11 574	779 739

23 Financial assets and liabilities held for trading

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Financial assets held for trading		
Securities		
Shares	7 820	6 115
Bonds	42 972	648
Investment units	159	-
	50 951	6 763
Derivatives		
Derivatives financial instruments with positive fair value	28 438	74 509
Loans and other receivables	-	5 309
	28 438	79 818
	79 389	86 581
Financial liabilities held for trading		
Securities		
Short sales	1 843	561
Derivatives		
Derivatives financial instruments with negative fair value	43 955	84 731
	45 798	85 292

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

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

The balance Derivative financial instruments with positive fair value includes the amount of Euro 12,295 thousands (31 December 2014: Euro 30,350 thousands) referred to instruments associated to assets or liabilities at fair value through profit or loss, with the exception of loans and advances to customers in the amount of Euro 194 thousands (31 December 2014: Euro 218 thousands).

The balance Derivative financial instruments with negative fair value includes the amount of Euro 9,060 thousands (31 December 2014: Euro 24,215 thousands) referred to instruments associated to assets or liabilities at fair value through profit or loss, with the exception of loans and advances to customers in the amount of Euro 2,044 thousands (31 December 2014: Euro 2,177 thousands).

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

As referred in IFRS 13, financial instruments are measured in accordance with the following fair value measurement levels, described in note 51, as follows:

		(Thousands of Euro)			
		Jun 2015			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets held for trading					
Securities					
Shares	7 820	-	-	7 820	
Bonds	42 972	-	-	42 972	
Investment units	159	-	-	159	
	<u>50 951</u>	<u>-</u>	<u>-</u>	<u>50 951</u>	
Derivatives					
Derivatives financial instruments with positive fair value	-	28 438	-	28 438	
	<u>50 951</u>	<u>28 438</u>	<u>-</u>	<u>79 389</u>	
Financial liabilities held for trading					
Securities					
Short sales	1 843	-	-	1 843	
Derivatives					
Derivatives financial instruments with negative fair value	-	43 955	-	43 955	
	<u>1 843</u>	<u>43 955</u>	<u>-</u>	<u>45 798</u>	

(Thousands of Euro)

	Dec 2014			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	6 115	-	-	6 115
Bonds	648	-	-	648
	<u>6 763</u>	<u>-</u>	<u>-</u>	<u>6 763</u>
Derivatives				
Derivatives financial instruments with positive fair value	-	74 509	-	74 509
Loans and other receivables	-	-	5 309	5 309
	<u>6 763</u>	<u>74 509</u>	<u>5 309</u>	<u>86 581</u>
Financial liabilities held for trading				
Securities				
Short sales	561	-	-	561
Derivatives				
Derivatives financial instruments with negative fair value	-	84 731	-	84 731
	<u>561</u>	<u>84 731</u>	<u>-</u>	<u>85 292</u>

The analysis of the securities portfolio held for trading by maturity as at 30 June 2015 is as follows:

(Thousands of Euro)

	Jun 2015				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Portuguese	-	-	22 214	-	22 214
Foreign	-	-	20 758	-	20 758
Variable income securities					
Shares					
Portuguese	-	-	-	1 218	1 218
Foreign	-	-	-	6 602	6 602
Investment units	-	-	-	159	159
	<u>-</u>	<u>-</u>	<u>42 972</u>	<u>7 979</u>	<u>50 951</u>
Quoted	-	-	42 972	7 979	50 951

The analysis of the securities portfolio held for trading by maturity as at 31 December 2014 is as follows:

(Thousands of Euro)

	Dec 2014				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Foreign	-	-	648	-	648
Variable income securities					
Shares					
Portuguese	-	-	-	1 080	1 080
Foreign	-	-	-	5 035	5 035
	<u>-</u>	<u>-</u>	<u>648</u>	<u>6 115</u>	<u>6 763</u>
Quoted	-	-	648	6 115	6 763

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

(Thousands of Euro)

		Jun 2015						
Derivative	Related financial asset / liability	Derivative			Related asset / liability			Reimbursement amount at maturity date
		Notional	Fair value	Fair value changes in the period	Fair value	Fair value changes in the period	Book value	
Interest rate swap	Debt securities issued and other subordinated debt	93 556	734	(2 093)	(5 704)	2 241	90 492	90 118
Interest rate swap	Deposits from customers	88 310	(998)	385	(9)	(29)	84 019	83 973
Interest rate swap	Deposits from financial institutions	63 920	6 961	(2 278)	1 762	(80)	71 491	69 775
Interest rate swap	Covered bonds	5 450 438	(3 462)	1 085	-	-	-	-
Interest rate swap	Loans	44 757	(1 850)	109	1 938	86	45 698	45 334
Interest rate swap	Others	3 097 973	(17 269)	(1 853)	-	-	-	-
Currency swap	-	95 087	32	(630)	-	-	-	-
Futures	-	1 520	55	59	-	-	-	-
Options	-	133 722	280	(79)	-	-	-	-
		<u>9 069 283</u>	<u>(15 517)</u>	<u>(5 295)</u>	<u>(2 013)</u>	<u>2 218</u>	<u>291 700</u>	<u>289 200</u>

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

(Thousands of Euro)

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

The fair value component of financial liabilities recognised at fair value through profit or loss attributable to the Group's credit risk is negative and the accumulated value amounts to Euro 8,955 thousands at 30 June 2015 (31 December 2014: Euro 12.339 thousands).

The analysis of financial instruments held for trading, by maturity date as at 30 June 2015, is as follows:

(Thousands of Euro)

	Jun 2015					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Positive	Negative
Interest rate contracts						
Interest rate swaps	22 350	276 868	8 539 736	8 838 954	23 035	(38 919)
Options	27 723	39 156	66 843	133 722	5 273	(4 993)
Exchange rate contracts						
Currency swaps	95 087	-	-	95 087	75	(43)
Index contracts						
Index futures	1 520	-	-	1 520	55	-
	<u>146 680</u>	<u>316 024</u>	<u>8 606 579</u>	<u>9 069 283</u>	<u>28 438</u>	<u>(43 955)</u>

The analysis of financial instruments held for trading, by maturity date as at 31 December 2014, is as follows:

(Thousands of Euro)

	Dec 2014						
	Notional with remaining term				Fair value		
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Asset	Liability	
Interest rate contracts							
Interest rate swaps	106 450	313 457	8 752 940	9 172 847	67 665	78 904	
Options	40 530	111 796	62 236	214 562	6 013	5 654	
Exchange rate contracts							
Currency swaps	195 533	1 639	-	197 172	831	169	
Index contracts							
Index futures	1 559	-	-	1 559	-	4	
	<u>344 072</u>	<u>426 892</u>	<u>8 815 176</u>	<u>9 586 140</u>	<u>74 509</u>	<u>84 731</u>	

24 Financial assets available for sale

This balance is presented as follows:

(Thousands of Euro)

	Jun 2015				
	Cost ⁽¹⁾	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Issued by public entities					
Portuguese	1 710 139	12 614	(50 393)	-	1 672 360
Foreign	277 114	3 640	(10 511)	(11 172)	259 071
Issued by other entities					
Portuguese	571 210	3 498	(7 341)	(20 834)	546 533
Foreign	495 015	12 999	(13 268)	(8 236)	486 510
Commercial paper	7 848	-	-	(998)	6 850
Variable income securities					
Shares					
Portuguese	81 676	282	(7)	(6 703)	75 248
Foreign	82 425	3 030	(173)	(3 951)	81 331
Investment units	368 501	14 123	(2 069)	(12 673)	367 882
	<u>3 593 928</u>	<u>50 186</u>	<u>(83 762)</u>	<u>(64 567)</u>	<u>3 495 785</u>

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

(Thousands of Euro)

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

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

As at 30 June 2015, the balance Financial assets available for sale, in the financial statement position, includes securities subject to hedging operations, in the amount of Euro 760 thousands (31 December 2014: Euro 1,230 thousands), as referred in note 25.

As referred in note 1 d), the portfolio of assets available for sale are presented at market value with fair value changes accounted for against fair value reserves, as referred in note 47. The Group assesses periodically whether there is objective evidence of impairment losses on the financial assets available for sale, following the judgment criteria's described in note 1 aa).

As referred in note 58, the balance Variable income securities – Investment fund units includes the amount of Euro 95,473 thousands (31 December 2014: Euro 94,528 thousands) relating to units in a Fund specialised in the recovery of loans acquired under the sale of loans and advances to customers. As at 30 June 2015 and 31 December 2014 this amount includes Euro 6,153 thousands engaged to junior securities (investment fund units with a more subordinated character), which are fully provided, according to note 15.

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

As at 30 June 2015 and 31 December 2014, the analysis of financial assets available for sale net of impairment, by valuation levels, is presented as follows:

(Thousands of Euro)

Jun 2015					
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Portuguese	1 672 360	-	-	-	1 672 360
Foreign	246 273	-	-	12 798	259 071
Issued by other entities					
Portuguese	47 420	482 913	16 200	-	546 533
Foreign	455 636	30 874	-	-	486 510
Commercial paper	-	-	-	6 850	6 850
	<u>2 421 689</u>	<u>513 787</u>	<u>16 200</u>	<u>19 648</u>	<u>2 971 324</u>
Variable income securities					
Shares					
Portuguese	1 008	-	-	74 240	75 248
Foreign	15 655	-	65 300	376	81 331
Investment units	186 768	-	181 114	-	367 882
	<u>203 431</u>	<u>-</u>	<u>246 414</u>	<u>74 616</u>	<u>524 461</u>
	<u>2 625 120</u>	<u>513 787</u>	<u>262 614</u>	<u>94 264</u>	<u>3 495 785</u>

(Thousands of Euro)

Dec 2014					
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Portuguese	1 807 802	-	-	-	1 807 802
Foreign	102 217	-	-	15 875	118 092
Issued by other entities					
Portuguese	28 764	590 392	7 127	-	626 283
Foreign	523 680	49 998	202	-	573 880
Commercial paper	-	-	-	10 000	10 000
	<u>2 462 463</u>	<u>640 390</u>	<u>7 329</u>	<u>25 875</u>	<u>3 136 057</u>
Variable income securities					
Shares					
Portuguese	919	-	-	79 582	80 501
Foreign	14 392	-	-	392	14 784
Investment units	298 647	59 722	-	-	358 369
	<u>313 958</u>	<u>59 722</u>	<u>-</u>	<u>79 974</u>	<u>453 654</u>
	<u>2 776 421</u>	<u>700 112</u>	<u>7 329</u>	<u>105 849</u>	<u>3 589 711</u>

As referred on IFRS 13, the financial instruments are measured according with the valuation levels described on note 51.

For instruments classified as level 3, in the first semester of 2015, were recorded in Gains arising from financial assets available for sale an amount of Euro 1,702 thousands (31 December 2014: Euro 422 thousands).

During the first semester of 2015 and the 2014 year, were not carried out any reclassifications of financial assets.

The instruments classified as level 3 have associated unrealized gains and losses in the positive amount of Euro 11,128 thousands (31 December 2014: positive amount of Euro 10,887 thousands) recognised in fair value reserves.

As at 30 June 2015 the amount recorded as impairment in these securities amounts to Euro 35,647 thousands (31 December 2014: Euro 15,004 thousands). There were no transfers to and from this level.

The assets included in level 3 amounting to Euro 29,737 thousands (31 December 2014: Euro 29,610 thousands), correspond to investment units in closed investment funds whose value resulted from the disclosure of the Net Asset Value of the Fund (VLGF) determined by the management company, in accordance with the respective funds accounts. The assets of these funds result from a diverse set of valued assets and liabilities registered in the respective accounts, at fair value, by internal methodologies used by the management company.

As at 30 June 2015, an impairment for participation units of the Real Estate Investment Funds was recognised in the amount of Euro 3,115 thousands, as referred in note 15.

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

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Balance on 1 January	55 763	39 266
Charge for the period	38 055	34 909
Write-back for the period	(27 388)	(9 201)
Charge-off	(1 863)	(31 704)
Balance on 30 June	64 567	33 270

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

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

- Equity instruments: (i) depreciation higher than 30% towards the acquisition cost; or (ii) market value below acquisition cost for more than 12 months period;
- Debt instruments: when there is an objective evidence of events with impact on the recoverable value of future cash flows of these assets.

As described in note 1 d) in the accounting policy, the portfolio of financial assets available for sale is presented net of the total fair value reserve and impairment. The total fair value reserve for financial assets available for sale portfolio is negative and amounts to Euro 33,576 thousands (31 December 2014: positive Euro 69,609 thousands) and impairment amounts to Euro 64,567 thousands (31 December 2014: Euro 55,763 thousands).

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

As at 30 June 2015 and 31 December 2014, impairment losses recognised regarding the sovereign debt of Greece amounts to Euro 11,172 thousands and Euro 8,834 thousands, respectively as referred in notes 15 and 57.

As at 30 June 2015, the balance Financial assets available for sale, by maturity, is analysed as follows:

(Thousands of Euro)

	Jun 2015				Total
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	
Fixed income securities					
Issued by public entities					
Portuguese	-	150 832	1 521 528	-	1 672 360
Foreign	-	8 175	238 098	12 798	259 071
Issued by other entities					
Portuguese	-	-	544 211	2 322	546 533
Foreign	423	32 865	449 709	3 513	486 510
Commercial paper	6 850	-	-	-	6 850
	<u>7 273</u>	<u>191 872</u>	<u>2 753 546</u>	<u>18 633</u>	<u>2 971 324</u>
Variable income securities					
Shares					
Portuguese	-	-	-	75 248	75 248
Foreign	-	-	-	81 331	81 331
Investment units	-	-	2 021	365 861	367 882
	<u>-</u>	<u>-</u>	<u>2 021</u>	<u>522 440</u>	<u>524 461</u>
	<u>7 273</u>	<u>191 872</u>	<u>2 755 567</u>	<u>541 073</u>	<u>3 495 785</u>

As at 31 December 2014, the balance Financial assets available for sale, by maturity, is analysed as follows:

(Thousands of Euro)

	Dec 2014				Total
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	
Fixed income securities					
Issued by public entities					
Portuguese	835	23 205	1 783 762	-	1 807 802
Foreign	7 193	13 811	97 088	-	118 092
Issued by other entities					
Portuguese	10 397	15 513	598 251	2 122	626 283
Foreign	67 152	19 487	483 766	3 475	573 880
Commercial paper	10 000	-	-	-	10 000
	<u>95 577</u>	<u>72 016</u>	<u>2 962 867</u>	<u>5 597</u>	<u>3 136 057</u>
Variable income securities					
Shares					
Portuguese	-	-	-	80 501	80 501
Foreign	-	-	-	14 784	14 784
Investment units	-	-	1 772	356 597	358 369
	<u>-</u>	<u>-</u>	<u>1 772</u>	<u>451 882</u>	<u>453 654</u>
	<u>95 577</u>	<u>72 016</u>	<u>2 964 639</u>	<u>457 479</u>	<u>3 589 711</u>

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

(Thousands of Euro)

	Jun 2015			Dec 2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed income securities						
Issued by public entities						
Portuguese	1 672 360	-	1 672 360	1 807 802	-	1 807 802
Foreign	246 273	12 798	259 071	102 217	15 875	118 092
Issued by other entities						
Portuguese	63 985	482 548	546 533	35 891	590 392	626 283
Foreign	458 519	27 991	486 510	523 680	50 200	573 880
Commercial paper	-	6 850	6 850	-	10 000	10 000
Variable income securities						
Shares						
Portuguese	1 009	74 239	75 248	919	79 582	80 501
Foreign	80 955	376	81 331	14 393	391	14 784
Investment units	264 666	103 216	367 882	358 369	-	358 369
	<u>2 787 767</u>	<u>708 018</u>	<u>3 495 785</u>	<u>2 843 271</u>	<u>746 440</u>	<u>3 589 711</u>

Securities pledged as collateral recorded in Financial assets held for sale, are presented as follows:

- The market value of the assets pledged as collateral to the European Central Bank in the context of liquidity providing operations in the amount of Euro 3,977 billions (31 December 2014: Euro 4,202 billions);
- Securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation Fund in the amount of Euro 1,750 millions (31 December 2014: Euro 1,750 billions);
- Securities pledged as collateral to the Deposit Guarantee Fund in the amount of Euro 28 millions (31 December 2014: Euro 28 millions).

These financial assets pledged as collateral can be executed in case of default of contractual obligations assumed by the Group under the terms and conditions of contracts, as referred in note 34.

25 Hedging derivatives

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Asset		
Interest rate swaps	32	60
Liability		
Interest rate swap	1 119	1 494

Hedging derivatives are measured according to internal valuation models, considering mainly observable market data. Therefore, in according with the hierarquisation of the valuation sources, and as referred in IFRS 13, these instruments are classified as level 2, as described in note 51.

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

The Group performs periodical effectiveness tests of the hedging relationships.

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

(Thousands of Euro)

Financial assets available for sale

	Jun 2015	Dec 2014
	760	1 230

The analysis of the hedging derivatives portfolio by maturity date, as at 30 June 2015 is as follows:

(Thousands of Euro)

	Jun 2015							
	Notional with remaining term				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	10 000	3 000	3 500	16 500	(289)	(85)	(713)	(1 087)
	10 000	3 000	3 500	16 500	(289)	(85)	(713)	(1 087)

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2014 is as follows:

(Thousands of Euro)

	Dec 2014							
	Notional with remaining term				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	20 000	6 500	26 500	-	(447)	(987)	(1 434)
	-	20 000	6 500	26 500	-	(447)	(987)	(1 434)

As at 30 June 2015, the fair value hedge relationships present the following features:

(Thousands of Euro)

Derivative	Hedge item	Hedge risk	Jun 2015				
			Notional	Fair value of derivative ⁽¹⁾	Changes in the fair value of the derivative in the period	Hedge item fair value ⁽²⁾	Changes in the fair value of the hedge item in the period ⁽²⁾
Interest rate swap	Financial asset available for sale	Interest rate	16 500	(1 087)	347	760	(470)
			16 500	(1 087)	347	760	(470)

⁽¹⁾ Includes the accrued interest.

⁽²⁾ Attributable to the hedge risk.

As at 31 December 2014, the fair value hedge relationships present the following features:

(Thousands of Euro)

Dec 2014							
Derivative	Hedge item	Hedge risk	Notional	Fair value of derivative ⁽¹⁾	Changes in the fair value of the derivative in the year	Hedge item fair value ⁽²⁾	Changes in the fair value of the hedge item in the year ⁽²⁾
Interest rate swap	Deposits from OFI	Interest rate	-	-	(414)	-	209
	Financial assets available for sale	Interest rate	26 500	(1 434)	326	1 230	(248)
			<u>26 500</u>	<u>(1 434)</u>	<u>(88)</u>	<u>1 230</u>	<u>(39)</u>

⁽¹⁾ Includes the accrued interest.

⁽²⁾ Attributable to the hedge risk.

26 Held to maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2015	Dec 2014
Fixed income securities		
Bonds issued by portuguese public entities	6 346	6 209
Bonds issued by foreign public entities	145 216	113 892
	<u>151 562</u>	<u>120 101</u>

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

The Group assessed, with reference to 30 June 2015, the existence of objective evidence of impairment on its held to maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held to maturity investments, as at 30 June 2015 can be analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OT - October 05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.35%	6 346
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.25%	5 154
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.50%	2 067
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.75%	2 054
Buoni Poliennali del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.75%	2 030
OT Angola 13/15-11-2015 - 5% - Index USD	November, 2013	November, 2015	Fixed rate of 5%	30 344
OT Angola 13/15-11-2016 - 5% - Index USD	November, 2013	November, 2016	Fixed rate of 5%	22 034
OT Angola 13/15-11-2017 - 5% - Index USD	November, 2013	November, 2017	Fixed rate of 5%	5 154
OT Angola 13/04-12-2015 - 7% - Index USD	December, 2013	December, 2015	Fixed rate of 7%	4 557
OT Angola 14/09-07-2016 - 7% - Index USD	July, 2014	July, 2016	Fixed rate of 7%	1 216
OT Angola 14/16-07-2016 - 7% - Index USD	July, 2014	July, 2016	Fixed rate of 7%	1 217
OT Angola 14/23-07-2016 - 7% - Index USD	July, 2014	July, 2016	Fixed rate of 7%	1 220
OT Angola 14/30-07-2016 - 7% - Index USD	July, 2014	July, 2016	Fixed rate of 7%	609
OT Angola 13/04-12-2016 - 7.25% - Index USD	December, 2013	December, 2016	Fixed rate of 7.25%	4 558
OT Angola 14/06-08-2017 - 7.25% - Index USD	August, 2014	August, 2017	Fixed rate of 7.25%	570
OT Angola 14/13-08-2017 - 7.25% - Index USD	August, 2014	August, 2017	Fixed rate of 7.25%	3 127
OT Angola 14/16-07-2017 - 7.25% - Index USD	July, 2014	July, 2017	Fixed rate of 7.25%	914
OT Angola 14/23-07-2017 - 7.25% - Index USD	July, 2014	July, 2017	Fixed rate of 7.25%	915
OT Angola 14/30-07-2017 - 7.25% - Index USD	July, 2014	July, 2017	Fixed rate of 7.25%	914
OT Angola 14/01-10-2018 - 7.5% - Index USD	October, 2014	October, 2018	Fixed rate of 7.5%	2 177
OT Angola 14/06-08-2018 - 7.5% - Index USD	August, 2014	August, 2018	Fixed rate of 7.5%	1 142
OT Angola 15/07-04-2019 - 7.5% - Index USD	April, 2015	April, 2019	Fixed rate of 7.5%	1 349
OT Angola 14/08-10-2018 - 7.5% - Index USD	October, 2014	October, 2018	Fixed rate of 7.5%	2 172
OT Angola 14/13-08-2018 - 7.5% - Index USD	August, 2014	August, 2018	Fixed rate of 7.5%	1 565
OT Angola 15/14-04-2019 - 7.5% - Index USD	April, 2015	April, 2019	Fixed rate of 7.5%	1 333
OT Angola 14/16-09-2018 - 7.5% - Index USD	September, 2014	September, 2018	Fixed rate of 7.5%	1 556
OT Angola 15/19-02-2019 - 7.5% - Index USD	February, 2015	February, 2019	Fixed rate of 7.5%	5 214
OT Angola 15/21-04-2019 - 7.5% - Index USD	April, 2015	April, 2019	Fixed rate of 7.5%	1 868
OT Angola 14/22-10-2018 - 7.5% - Index USD	October, 2014	October, 2018	Fixed rate of 7.5%	2 156
OT Angola 14/23-07-2018 - 7.5% - Index USD	July, 2014	July, 2018	Fixed rate of 7.5%	458
OT Angola 14/26-11-2018 - 7.5% - Index USD	November, 2014	November, 2018	Fixed rate of 7.5%	3 005
OT Angola 15/28-04-2019 - 7.5% - Index USD	April, 2015	April, 2019	Fixed rate of 7.5%	1 513
OT Angola 14/29-10-2018 - 7.5% - Index USD	October, 2014	October, 2018	Fixed rate of 7.5%	2 150
OT Angola 14/30-07-2018 - 7.5% - Index USD	July, 2014	July, 2018	Fixed rate of 7.5%	458
OT Angola 14/01-10-2019 - 7.75% - Index USD	October, 2014	October, 2019	Fixed rate of 7.75%	2 178
OT Angola 14/06-08-2019 - 7.75% - Index USD	August, 2014	August, 2019	Fixed rate of 7.75%	571
OT Angola 15/07-04-2020 - 7.5% - Index USD	April, 2015	April, 2020	Fixed rate of 7.5%	1 349
OT Angola 14/08-10-2019 - 7.75% - Index USD	October, 2014	October, 2019	Fixed rate of 7.75%	2 174
OT Angola 14/13-08-2019 - 7.75% - Index USD	August, 2014	August, 2019	Fixed rate of 7.75%	1 566
OT Angola 15/14-04-2020 - 7.5% - Index USD	April, 2015	April, 2020	Fixed rate of 7.5%	667
OT Angola 14/16-09-2019 - 7.75% - Index USD	September, 2014	September, 2019	Fixed rate of 7.75%	1 557
OT Angola 15/16-06-2020 - 7.5% - Index USD	June, 2015	June, 2020	Fixed rate of 7.5%	3 757
OT Angola 15/21-04-2020 - 7.5% - Index USD	April, 2015	April, 2020	Fixed rate of 7.5%	1 868
OT Angola 14/22-10-2019 - 7.75% - Index USD	October, 2014	October, 2019	Fixed rate of 7.75%	2 157
OT Angola 14/23-07-2019 - 7.75% - Index USD	July, 2014	July, 2019	Fixed rate of 7.75%	459
OT Angola 15/23-06-2020 - 7.75% - Index USD	June, 2015	June, 2020	Fixed rate of 7.75%	2 964
OT Angola 14/26-11-2019 - 7.75% - Index USD	November, 2014	November, 2019	Fixed rate of 7.75%	3 006
OT Angola 15/28-04-2020 - 7.5% - Index USD	April, 2015	April, 2020	Fixed rate of 7.5%	1 513
OT Angola 14/29-10-2019 - 7.75% - Index USD	October, 2014	October, 2019	Fixed rate of 7.75%	2 151
OT Angola 14/30-07-2019 - 7.75% - Index USD	July, 2014	July, 2019	Fixed rate of 7.75%	459
OT Cape Verde - March 2013/28-04-2016 - 5.5%	April, 2013	April, 2016	Fixed rate of 5.5%	50
				151 562

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

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OT - October 05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.35%	6 209
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.25%	5 061
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.50%	2 029
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.75%	2 011
Buoni Poliennali del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.75%	2 023
OT Cape Verde 13/28-04-2016	April, 2013	April, 2016	Fixed rate of 5.50%	50
OT Angola 13/15-11-2015	November, 2013	November, 2015	Fixed rate of 5.00%	27 735
OT Angola 13/15-11-2016	November, 2013	November, 2016	Fixed rate of 5.00%	21 088
OT Angola 13/15-11-2017	November, 2013	November, 2017	Fixed rate of 5.00%	5 046
OT Angola 13/04-12-2015	December, 2013	December, 2015	Fixed rate of 7.00%	4 205
OT Angola 13/04-12-2016	December, 2013	December, 2016	Fixed rate of 7.25%	4 206
OT Angola 14/09-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 123
OT Angola 14/16-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 123
OT Angola 14/23-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 126
OT Angola 14/30-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	562
OT Angola 14/16-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	844
OT Angola 14/23-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	845
OT Angola 14/30-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	844
OT Angola 14/23-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	423
OT Angola 14/30-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	422
OT Angola 14/23-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	423
OT Angola 14/30-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	423
OT Angola 14/06-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	526
OT Angola 14/13-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	2 887
OT Angola 14/06-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1 054
OT Angola 14/13-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1 444
OT Angola 14/06-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	527
OT Angola 14/13-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	1 446
OT Angola 14/16-09-2018	September, 2014	September, 2018	Fixed rate of 7.50%	1 436
OT Angola 14/16-09-2019	September, 2014	September, 2019	Fixed rate of 7.75%	1 437
OT Angola 14/01-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 008
OT Angola 14/08-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 005
OT Angola 14/22-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	1 990
OT Angola 14/29-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	1 984
OT Angola 14/01-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 010
OT Angola 14/08-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 006
OT Angola 14/22-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	1 991
OT Angola 14/29-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	1 985
OT Angola 14/26-11-2018	November, 2014	November, 2018	Fixed rate of 7.50%	2 772
OT Angola 14/26-11-2019	November, 2014	November, 2019	Fixed rate of 7.75%	2 772
				120 101

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

During the first semester of 2015 and 2014 period, the Group did not transfer to or from this assets category.

27 Investments in associated companies and others

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Investments in associated companies and others		
Montepio Seguros, S.G.P.S., S.A.	15 904	19 553
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 061	3 330
Iberpartners Cafés S.G.P.S., S.A.	1 086	1 069
Montepio - Gestão de Activos Imobiliários, ACE	698	698
Pinto & Bulhosa, S.A.	191	191
Naviser – Transportes Marítimos Internacionais, S.A.	150	150
	21 090	24 991
Unquoted		
Impairment of investments in associated companies and others	(341)	(341)
	20 749	24 650

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

	(Thousands of Euro)					
	Assets	Liabilities	Equity	Income	Profit / (Loss) for the period	Acquisition cost
30 June 2015						
Montepio Seguros, S.G.P.S., S.A.	1 049 247	978 050	71 197	107 079	(11 927)	65 100
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	41 420	26 115	15 305	3 203	(600)	3 200
Iberpartners Cafés S.G.P.S., S.A.	5 480	1 786	3 694	103	57	1 000
Montepio - Gestão de Activos Imobiliários, ACE	3 171	721	2 450	1 945	-	698
31 December 2014						
Montepio Seguros, S.G.P.S., S.A.	1 069 177	986 290	82 887	226 801	(15 688)	65 100
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	42 019	25 370	16 649	7 598	(188)	3 200
Iberpartners Cafés S.G.P.S., S.A.	5 376	1 741	3 635	410	315	1 000
Montepio - Gestão de Activos Imobiliários, ACE	3 817	1 367	2 450	2 086	-	698

	(Thousands of Euro)					
	Percentage held		Book value		Associated companies net profit attributable to CEMG	
	Jun 2015	Dec 2014	Jun 2015	Dec 2014	Jun 2015	Dec 2014
	%	%				
Montepio Seguros, S.G.P.S., S.A.	33,65%	33,65%	15 904	19 553	(4 013)	(5 278)
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	20%	20%	3 061	3 330	(120)	(38)
Iberpartners Cafés S.G.P.S., S.A.	29,41%	29,41%	1 086	1 069	17	93
Montepio - Gestão de Activos Imobiliários, ACE	28,50%	28,50%	698	698	-	-
Pinto & Bulhosa, S.A.	16%	16%	-	-	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20%	20%	-	-	-	-

The movements for this balance are analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Balance on 1 January	24 991	42 740
Acquisitions	-	698
Share of profit of associates	(4 116)	(5 223)
Fair value reserves of associates	215	(13 224)
Balance at the end of the period	<u>21 090</u>	<u>24 991</u>

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

28 Non-current assets held for sale

This balance is analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Buildings and other assets arising from recovered loans with customers	995 276	934 230
Impairment for non-current assets held for sale	(141 700)	(134 491)
	<u>853 576</u>	<u>799 739</u>

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

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

According to Group's expectation, these assets are available for sale in a period less than 1 year and the Group has a strategy for its sale. Nevertheless, given the current market conditions, in some situations it is not possible to conclude these sales before the expected deadline. This balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euro 24,886 thousands (31 December 2014: Euro 9,271 thousands).

The movements during the first semester of 2015, for non-current assets held for sale are analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Balance on 1 January	934 230	773 540
Acquisitions	117 223	288 615
Disposals	(56 576)	(131 430)
Other movements	399	3 505
Balance at the end of the period	<u>995 276</u>	<u>934 230</u>

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

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Jun 2014</u>
Balance on 1 January	134 491	92 152
Charge for the period net of reversals	7 792	(869)
Charge-off	(583)	(297)
Balance on 30 June	<u>141 700</u>	<u>90 986</u>

In addition to the impairment losses, the Group recognised in profit or loss for these assets, losses on real estate arising from its disposal in the amount of Euro 12,897 thousands and gains in the amount of Euro 1,052 thousands (30 June 2014: loss in the amount of Euro 11,709 thousands and gains in the amount of Euro 2,842 thousands), as mentioned in note 9.

29 Investment properties

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

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

The movements in this balance are analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Balance on 1 January	715 737	543 534
Changes in the consolidation perimeter	12 573	149 816
Revaluation	(4 053)	(13 821)
Disposals	(28 861)	(23 145)
Transfers	44 749	59 353
Balance at the end of the period	740 145	715 737

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

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

As at 30 June 2015, the decrease of the investment properties fair value, amounting to Euro 13,806 thousands (31 December 2014: Euro 13,821 thousands), and the received leases of the investment properties amounting to Euro 8,399 thousands (31 December 2014: Euro 8,432 thousands), are recorded in the balance Other operating results, as described in note 10.

As at 30 June 2015, the Group proceeded to investment properties disposals in the amount of Euro 28,661 thousands and recognised losses in the amount of Euro 1,360 thousands, as described in note 9.

30 Property and equipment

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Cost		
Land and buildings		
For own use	38 352	40 006
Leasehold improvements in rented buildings	54 356	54 699
Construction in progress	18 659	19 989
Equipment		
Computer equipment	88 654	87 389
Furniture	21 855	22 103
Fixtures	22 119	21 953
Security equipment	8 151	8 155
Transportation	5 646	5 517
Tolls and machinery	3 418	3 682
Other equipment	40	42
Works of art	2 870	2 869
Assets in operational lease	765	975
Assets in finance lease	38	38
Other tangible assets	2 427	2 452
Work in progress	4 953	4 647
	272 303	274 516
Accumulated depreciation		
Charge for the period	(6 530)	(10 438)
Accumulated charge in previous periods	(173 162)	(165 147)
	(179 692)	(175 585)
	92 611	98 931

31 Intangible assets

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Cost		
Software	77 322	77 206
Revaluation and consolidations differences (goodwill)	56 304	56 304
Other intangible assets	953	1 490
Work in progress	17 221	5 629
	151 800	140 629
Accumulated depreciation		
Charge for the period	(7 316)	(15 698)
Accumulated charge in previous periods	(50 174)	(32 365)
	(57 490)	(48 063)
Impairment for intangible assets	(26 512)	(26 512)
	67 798	66 054

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

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

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

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

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

32 Taxes

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

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

(Thousands of Euro)

	Assets		Liabilities		Net	
	Jun 2015	Dec 2014	Jun 2015	Dec 2014	Jun 2015	Dec 2014
Financial instruments	30 404	13 105	(18 583)	(35 434)	11 821	(22 329)
Other tangible assets	54	10	-	-	54	10
Provisions	277 438	260 661	-	-	277 438	260 661
Employees benefits	34 524	35 900	-	-	34 524	35 900
Others	3 257	4 609	(116)	(111)	3 141	4 498
Tax losses carried forward	90 217	77 141	-	-	90 217	77 141
Net deferred tax assets/ (liabilities)	<u>435 894</u>	<u>391 426</u>	<u>(18 699)</u>	<u>(35 545)</u>	<u>417 195</u>	<u>355 881</u>

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

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

As a result of Law no. 82-B/2014 of 16 January, (State Budget Law for 2015) the income tax rate was reduced from 23% to 21%, being effective from 1 January, 2015 onwards.

The deferred tax rate is analysed as follows:

	Jun 2015	Dec 2014
	%	%
Income tax rate (a)	21,0%	21,0%
Municipal surcharge rate	1,5%	1,5%
State surcharge rate	7,0%	7,0%
Total (b)	<u>29,5%</u>	<u>29,5%</u>

(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 recognised only if the existence of future taxable profits is probable. The uncertainty of the recoverability of the tax losses carried forward is considered in the deferred tax assets calculation.

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

(Thousands of Euro)		
Expiry year	Jun 2015	Dec 2014
2015	1 599	1 409
2017	32 792	28 248
2018	47 074	47 484
2026	5	-
2027	8 747	-
	90 217	77 141

Deferred tax balance movements were recognised as follows:

(Thousands of Euro)		
	Jun 2015	Dec 2014
Opening balance	355 881	336 264
Charged to income statement	27 670	41 004
Charged to fair value reserves	34 126	(14 241)
Charged to reserves and retained earnings	(482)	(7 146)
Closing balance (Asset / (Liability))	417 195	355 881

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

(Thousands of Euro)

	Jun 2015		Dec 2014	
	Charged to net (loss) / income	Charged to reserves	Charged to net (loss) / income	Charged to reserves
Financial instruments	-	34 150	-	(14 241)
Other tangible assets	44	-	455	-
Provisions	16 777	-	64 877	-
Employees benefits	(49)	(1 327)	2 983	(7 146)
Others	(2 178)	821	7 273	-
Tax losses carried forward	13 076	-	(34 584)	-
Deferred tax	<u>27 670</u>	<u>33 644</u>	<u>41 004</u>	<u>(21 387)</u>
Current taxes	218	-	(18 190)	-
Total tax recognised	<u><u>27 888</u></u>	<u><u>33 644</u></u>	<u><u>22 814</u></u>	<u><u>(21 387)</u></u>

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

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

	(Thousands of Euro)			
	Jun 2015		Jun 2014	
	%	Value	%	Value
Profit before income tax		(57 282)		19 167
Income tax based on the nominal tax rate	21,0	(12 029)	23,0	4 408
Impact of municipal and state surcharge	(1,5)	855	8,0	1 533
Post-employment benefits and Pension Fund	(0,7)	403	(20,7)	(3 966)
Creation/reversal of taxed provisions	(28,4)	16 271	189,0	36 227
Extraordinary contribution for the banking sector	(18,6)	10 666	40,6	7 778
Tax benefits	(15,9)	9 125	(267,2)	(51 220)
Autonomous taxation and other assets	(0,4)	218	104,7	20 063
Others	44,9	(25 727)	199,0	38 136
Impact on calculation of the deferred tax	48,3	(27 670)	(213,9)	(41 004)
Income tax for the period	48,7	<u><u>(27 888)</u></u>	62,4	<u><u>11 955</u></u>

The Group evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits. As at the present date, there are no unrecognised deferred taxes.

In 2014, CEMG was object of a Tax Authority's inspection to 2012 year. As a result of the inspection, CEMG was object of an additional payment of income tax, related to autonomous taxation and other adjustments to the calculated tax loss. Concerning to Stamp Duty, CEMG was also object of additional payment. CEMG paid the settled amounts, without prejudice of appeal regarding some corrections made by the tax authorities.

33 Other assets

This balance is presented as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Recoverable subsidies from Portugal Government unliquidated	6 782	6 460
Other debtors	234 432	203 384
Other accrued income	22 637	7 354
Prepayments and deferred costs	4 023	2 695
Sundry debtors	122 110	135 471
	389 984	355 364
Impairment for other assets	(18 099)	(16 240)
	371 885	339 124

As at 30 June 2015, the balance Other accrued income includes the amount of Euro 20,000 thousands regarding the estimated cost with services rendered by CEMG to *Montepio Geral Associação Mutualista*, as described in note 10.

As at 30 June 2015, the balance Other debtors includes the amount of Euro 139,176 thousands (31 December 2014: Euro 139,176 thousands) relating to receivables regarding the operation of credits sale to Silver Equation, as described in note 22.

Additionally, the caption Other debtors includes the amount of Euro 27,436 thousands related to the sale of real estate classified as non-current assets held for sale.

As at 30 June 2015, the caption Other debtors also includes the amount of Euro 20,531 thousands (31 December 2014: Euro 3,833 thousands) related to receivables from public entities, mostly courts, regarding proceedings insolvency and loans claims.

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 30 June 2015 and 31 December 2014, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Recoverable subsidies from the Portuguese Government unliquidated	2 325	2 265
Subsidies unclaimed	411	315
Overdue subsidies unclaimed	4 046	3 880
	<u>6 782</u>	<u>6 460</u>

The balance Sundry debtors includes, as at 30 June 2015, the amount of Euro 112 thousands (31 December 2014: Euro 1,443 thousands) regarding transactions with securities recorded on trade date and pending settlement.

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

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Jun 2014</u>
Balance on 1 January	16 240	11 732
Charge for the period	12 816	4 417
Write-back for the period	(12 191)	(451)
Transfers	1 234	(1 587)
Balance on 30 June	<u>18 099</u>	<u>14 111</u>

34 Deposits from central banks

As at 30 June 2015 and 31 December 2014, this balance is related to deposits obtained in the European System of Central Banks and is covered by securities from the available for sale portfolio pledged as collaterals portfolio of financial assets available-for-sale. Additionally, records deposits from Bank of Mozambique.

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Up to 3 months	1 050 845	2 020 772
More than 6 months	1 726 546	476 114
	2 777 391	2 496 886

35 Deposits from other financial institutions

This balance is analysed as follows:

	(Thousands of Euro)					
	Jun 2015			Dec 2014		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Very short term deposits	-	13 406	13 406	-	-	-
Deposits	2 754	39 317	42 071	920	45 449	46 369
Loans	-	4 829	4 829	-	-	-
	2 754	57 552	60 306	920	45 449	46 369
Deposits from credit institutions abroad						
Very short term deposits	207 993	-	207 993	-	-	-
Deposits	15 714	2 661	18 375	-	10 761	10 761
Loans	-	636 250	636 250	2 604	443 332	445 936
Reverse repurchase agreements	781 292	423 392	1 204 684	-	538 602	538 602
Others	15 513	-	15 513	-	28 488	28 488
	1 020 512	1 062 303	2 082 815	2 604	1 021 183	1 023 787
	1 023 266	1 119 855	2 143 121	3 524	1 066 632	1 070 156

As part of derivative financial instruments operations with institutional counterparties, according to the signed contracts, CEMG has, on 30 June 2015, the amount of Euro 10,670 thousands (31 December 2014: Euro 16,650 thousands) deposits received from other credit institutions as collateral for these operations.

The balance Deposits from other financial institutions includes emissions at fair value according to internal valuation methodologies, considering mainly market's observed data, with amount of Euro 71,491 thousands (31 December 2014: Euro 61,009 thousands). So, in accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are categorised in Level 2. Financial liabilities included in this balance are revaluated against results, according to the accounting policy described in note 1 d), having recognised a gain, at 30 June 2015, in the amount of Euro 80 thousands (31 December 2014: a loss of Euro 2,270 thousands) related to fair value variations associated to the Group credit risk, as referred in notes 6 and 23.

36 Deposits from customers

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2015			Dec 2014		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	2 875 847	234 266	3 110 113	2 584 965	207 665	2 792 630
Time deposits	-	9 938 542	9 938 542	-	11 398 246	11 398 246
Saving accounts	-	109 427	109 427	-	110 992	110 992
Other resources	12 588	-	12 588	12 771	-	12 771
Adjustments arising from hedging operations	(9)	-	(9)	20	-	20
	<u>2 888 426</u>	<u>10 282 235</u>	<u>13 170 661</u>	<u>2 597 756</u>	<u>11 716 903</u>	<u>14 314 659</u>

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

The caption Time deposits includes deposits at fair value, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 84,019 thousands (31 December 2014: Euro 95,657 thousands). According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d), as at 30 June 2015, a gain in an amount of Euro 29 thousands (31 December 2014: Euro 5,343 thousands) was recorded, regarding the fair value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

37 Debt securities issued

This balance Debt securities issued is analysed as follows:

(Thousands of Euro)

	Jun 2015	Dec 2014
<i>Euro Medium Term Notes (EMTN)</i>	67 075	150 145
Bonds	1 591 709	1 974 804
Covered bonds	120 134	-
Commercial paper	3 091	21 576
	<u>1 782 009</u>	<u>2 146 525</u>

The fair value of the debts securities issued is presented in note 51.

The balance Debt securities issued includes issues at fair value, according with internal valuation techniques and considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 30 June 2015 a loss in the amount of Euro 1,072 thousands (30 June 2014: a loss in an amount of Euro 4,148 thousands) was recognised regarding the fair value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

As at 30 June 2015, this balance includes the amount of Euro 106,177 thousands (31 December 2014: Euro 196,809 thousands) related to debt securities issued recognised at the balance sheet at fair value through profit or loss.

During the first semester of 2015, the Group issued Euro 28,100 thousands (31 December 2014: Euro 573,597 thousands) of debt securities and performed the refund of Euro 547,054 thousands (31 December 2014: Euro 781,540 thousands).

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousands, the Group proceeded to the emissions which totalised Euro 2,000,000 thousands. As at 30 June 2015, the main characteristics of these issues are as follows:

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody's/Fitch/Dbrs)
Covered bonds - 2S	1 000 000	1 000 386	December 2009	December 2016	Quarterly	Euribor 3M + 0.75%	Baa1/BB+/A
Covered bonds - 3S	500 000	501 941	November 2010	November 2015	Quarterly	Euribor 3M + 2.5%	Baa1/BB+/A
Covered bonds - 4S	500 000	500 076	May 2013	May 2017	Monthly	Euribor 1M + 0.75%	Baa1/BB+/A
	<u>2 000 000</u>	<u>2 002 403</u>					

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

As at 30 June 2015 the amount of credits that collateralise these issues amounts to Euro 2,723,689 thousands (31 December 2014: Euro 2,711,971 thousands), according to note 22.

During the first semester of 2015, the Group disposed Euro 120,000 thousands of covered bonds – 2^a series.

The movements in debt securities issued during the first semester of 2015 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net purchases	Other movements (a)	Balance on 30 June
Euro Medium Term Notes (EMTN)	150 145	-	(125 000)	43 050	(1 120)	67 075
Bonds	1 974 804	28 100	(400 704)		(10 491)	1 591 709
Covered bonds	-	-	-	-	120 134	120 134
Commercial paper	21 576	-	(21 350)	-	2 865	3 091
	<u>2 146 525</u>	<u>28 100</u>	<u>(547 054)</u>	<u>43 050</u>	<u>111 388</u>	<u>1 782 009</u>

(a) Other movements include accrued interest, hedge operations adjustments, air value hedge, fair value adjustments, foreign translation exchanges adjustments and disposals of covered bonds issues.

The movements in debt securities issued during the year ended 31 December 2014 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net repurchase	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	357 803	-	(105 000)	(37 350)	(65 308)	150 145
Bonds	1 717 872	528 247	(416 950)	-	145 635	1 974 804
Covered bonds	80	-	-	-	(80)	-
Commercial paper	243 673	45 350	(259 590)	-	(7 857)	21 576
	<u>2 319 428</u>	<u>573 597</u>	<u>(781 540)</u>	<u>(37 350)</u>	<u>72 390</u>	<u>2 146 525</u>

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

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

During the first semester of 2015 the Debt securities issued is analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
MONTEPIO CAP CERTO 2014/2019 12S	02/01/2015	31/12/2019	Annual rate of 2.90% (2nd to 4th year rate of 2.95%; 5th year rate of 3.25%)	23 100
MONTEPIO CAPITAL CERTO 2015/2020 1S	02/02/2015	03/02/2020	Annual rate of 2.65% (2nd to 4th year rate of 2.70%; 5th year rate of 3%)	5 000
				<u>28 100</u>

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

38 Financial liabilities relating to transferred assets

This balance is analysed as follows:

	(Thousands of Euros)	
	Jun 2015	Dec 2014
<i>Pelican Mortgages No. 3</i>	124 170	163 650
	124 170	163 650

39 Provisions

This balance is presented as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Provisions for other liabilities and charges	14 246	20 329
	14 246	20 329

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

	(Thousands of Euro)	
	Jun 2015	June 2014
Balance on 1 January	20 329	8 014
Charge for the period	1 636	273
Write-back for the period	(6 862)	(1 525)
Transfers	(857)	(585)
Balance on 30 June	14 246	6 177
	14 246	6 177

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

40 Other subordinated debt

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

(Thousands of Euro)

Issue	Issue date	Maturity	Issue amount	Interest rate	Book value
CEMG/06	Apr. 2006	Apr. 2016	50 000	Euribor 3 months+0,95%	26 149
CEMG/08 1.ª série	Feb.2008	Feb.2018	150 000	Euribor 6 months+1,5%	121 248
CEMG/08 3.ª série	Jul.2008	Jul.2018	150 000	Euribor 6 months+1,5%	121 027
CEMG/08 2.ª série	Jun.2008	Jun.2018	28 000	Euribor 12 months+1,5%	17 993
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10 363	Euribor 6 months+1,75% (iv)	9 550
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	22 602	Max.(0;6,0%*(1-n/8)) (i)	18 702
FNB Grandes empresas 07/16_ 1ª série	May-07	May 2016	1 745	Max.(0;6,0%*(1-n/8)) (i)	4 722
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16 550	Base rate+0,90% (barrier level)	16 077
					335 468
				Adjustments arising from hedging operations	(3 977)
					331 491

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

(Thousands of Euro)

Issue	Issue date	Maturity	Issue date	Interest rate	Book value
CEMG/06	Apr. 2006	Apr. 2016	50 000	Euribor 3 months+0.95%	26 154
CEMG/08 1.ª série	Feb.2008	Feb.2018	150 000	Euribor 6 months+1.5%	121 330
CEMG/08 3.ª série	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.5%	121 031
CEMG/08 2.ª série	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.5%	18 179
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10 363	Euribor 6 months+1.75% (iv)	9 681
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	22 602	Max.(0;6,0%*(1-n/7)) (i)	19 397
FNB Grandes empresas 07/16_ 1ª série	May2007	May 2016	1 745	Max.(0;6,0%*(1-n/7)) (i)	4 863
FNB Indices estratégicos 07/17 1ª série	May 2007	Jun.2015	13 207	6.25%*VN Min.(quote) (ii)	10 257
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2011	Jun.2015	26 629	6.25%*VN Min.(quote) (ii)	31 107
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*VN Min.(quote) (iii)	236
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16 550	Base rate+0.90% (barrier level)	16 190
					378 425
				Adjustments arising from hedging operations	(5 146)
					373 279

References:

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

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

Notes:

where n is the accumulated number of reference entities in which a credit event occurs in the merged entity. It will be accounted as many credit events as the number of merged companies

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

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

*** if not = 0%, where:

Barrier 3 = Barrier to be applied on 3rd coupon = 0% ;
Barrier 4 = Barrier to be applied on 4th coupon = 1% ;
Barrier 5 = Barrier to be applied on 5th coupon = 2% ;
Barrier 6 = Barrier to be applied on 6th coupon = 3% ;
Barrier 7 = Barrier to be applied on 7th coupon = 4% ;
Barrier 8 = Barrier to be applied on 8th coupon = 5% ;
Barrierk = Barrier to be applied on k coupon;
SDk – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) on observation date K (K=1 a 6)
SD0 – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) at beginning date
SXk – Closing of Eurostoxx 50 Total Return (Bloomberg: SX5T) on observation date K (K=1 a 6)
SX0 – Closing of Eurostoxx 50 Total Return (Bloomberg: SX5T) at beginning date
HSk – Closing of HS60 Europe (Bloomberg: HS60EU) on observation date K (K=1 a 6)
HS0 – Closing of HS60 Europe (Bloomberg: HS60EU) at beginning date

(iii) - 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-dez-05	[1.60; 2.75%]
2nd semester	09-jun-06	[1.60; 3.00%]
3rd semester	09-dez-06	[1.60; 3.25%]
4th semester	09-jun-07	[1.60; 3.50%]
5th semester	09-dez-07	[1.60; 3.50%]
6th semester	09-jun-08	[1.70; 3.75%]
7th semester	09-dez-08	[1.70; 3.75%]
8th semester	09-jun-09	[1.70; 4.00%]
9th semester	09-dez-09	[1.80; 4.00%]
10th semester	09-jun-10	[1.80; 4.25%]
11th semester	09-dez-10	[1.80; 4.25%]
12th semester	09-jun-11	[1.80; 4.50%]
13th semester	09-dez-11	[1.90; 4.50%]
14th semester	09-jun-12	[1.90; 4.50%]
15th semester	09-dez-12	[1.90; 4.50%]
16th semester	09-jun-13	[1.90; 4.50%]
17th semester	09-dez-13	[2.00; 4.50%]
18th semester	09-jun-14	[2.00; 4.50%]
19th semester	09-dez-14	[2.00; 4.50%]
20th semester	09-jun-15	[2.00; 4.50%]

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

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

As at 30 June 2015, the balance Other subordinated debt includes debt securities valued at fair value in accordance with internal valuation techniques considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 30 June 2015 the negative amount of Euro 1,169 thousands (31 December 2014: negative amount of Euro 3,014 thousands) was recognised, regarding the fair value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

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

As at 30 June 2015, the subordinated debt bears postponed interest every three and six months and are set between 0.11% and 2.00% (31 December 2014: 0.8% and 2.03%).

The fair value of the debts securities issued is presented in note 51.

41 Other liabilities

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Creditors		
Suppliers	8 206	23 481
Other creditors	144 676	81 419
Administrative public sector	18 861	20 907
Holiday pay and subsidies	37 097	36 541
Other costs	3 514	2 876
Deferred income	1 616	5 025
Other sundry liabilities	50 927	199 469
	264 897	369 718

As at 30 June 2015, the balance Other sundry liabilities includes the amount of Euro 30,501 thousands (31 December 2014: Euro 89,053 thousands), related with net liabilities recognised in the statement of financial position, which represent the difference between the costs with pensions, health benefits and death subsidy and the assets.

As at 31 December 2014, the balance Other sundry liabilities includes the amount of Euro 68,208 thousands, engaged to balances of banking and financial transactions pending settlement.

As at 30 June 2015, the balance Holiday pay and subsidies includes the amount of Euro 15,253 thousands (31 December 2014: Euro 15,052 thousands), related to seniority bonus.

Additionally, as at 30 June 2015, this caption includes the amount of Euro 21,844 thousands (31 December 2014: Euro 21,489 thousands), related to holidays, holidays subsidy and Christmas subsidy.

42 Institutional capital

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

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

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

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

43 Participation fund

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

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

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

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

Caixa Económica Montepio Geral issued 400,000,000 investment fund units with the nominal value of Euro 1, which are issued in its nominative form.

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

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

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

44 Other equity instruments

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

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

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

Payment

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

1st to 4th coupon: 7.00%;

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

Payment interest limitations

The Issuer will be prevented from making interest payment:

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

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

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

Preventing to proceed to the Interest Payment may be total or partial.

Interest non-payment on any date excludes the issuer of the interest payment related to this date in a future time.

It is considered distributable funds in a determined year the algebraic sum, with reference to the previous year, the retained earnings with any other amount which may be distributable and profit or loss, net of reserve requirements, statutory and legal, but before the deduction of the amount of any dividends on ordinary shares or other securities subject to these, for that exercise.

During the first semester of 2015, the interest paid for this issue amounted to Euro 379 thousands.

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

Reimbursement

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

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

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

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

45 Treasury stock

This balance records units representatives of CEMG’s Participation Fund, which are owned by entities that are included on the consolidation perimeter.

As at 30 June 2015 and 31 December 2014, these entities owned 3,280,322 units, with an average unit cost of Euro 0.895.

These units are owned by entities included in the consolidation perimeter under the established limits in CEMG statutes and by the Commercial Companies Code.

46 General and special reserve

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

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

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

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

47 Revaluation reserves, other reserves and retained earnings

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Revaluation reserves		
Available for sale financial assets		
Gross amount	(33 576)	69 609
Tax	11 819	(22 307)
Exchange differences on consolidation	(5 801)	2 019
Others	9 389	(30 805)
	(18 169)	18 516
Other reserves and retained earnings		
General reserve	187 532	187 532
Special reserve	68 273	68 273
Deferred tax reserve	41 696	42 178
Retained earnings	(670 273)	(446 455)
	(372 772)	(148 472)

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

The movements of this balance during the first semester of 2015, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment changes in the period	Balance on 30 June
Fixed income securities						
Bonds issued by public Portuguese entities	56 612	1 164	(46 653)	(48 902)	-	(37 779)
Bonds issued by public foreign entities	3 699	825	(9 057)	-	(2 338)	(6 871)
Bond issued by other entities						
Portuguese	(12 291)	12 415	238	(3 061)	(1 144)	(3 843)
Foreign	13 206	(8 227)	(3 091)	(2 199)	42	(269)
	<u>61 226</u>	<u>6 177</u>	<u>(58 563)</u>	<u>(54 162)</u>	<u>(3 440)</u>	<u>(48 762)</u>
Variable income securities						
Shares						
Portuguese	92	12	48	51	72	275
Foreign	1 332	1 363	384	699	(921)	2 857
Investment units	6 550	10 047	(9)	(19)	(4 515)	12 054
	<u>7 974</u>	<u>11 422</u>	<u>423</u>	<u>731</u>	<u>(5 364)</u>	<u>15 186</u>
	<u><u>69 200</u></u>	<u><u>17 599</u></u>	<u><u>(58 140)</u></u>	<u><u>(53 431)</u></u>	<u><u>(8 804)</u></u>	<u><u>(33 576)</u></u>

The movements of this balance during 2014 are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment changes in the year	Balance on 31 December
Fixed income securities						
Bonds issued by public Portuguese entities	33 404	15 242	10 816	(2 850)	-	56 612
Bonds issued by public foreign entities	294	3 176	645	3	(419)	3 699
Bonds issued by other entities						
Portuguese	(20 396)	20 781	4 920	2 503	(19 690)	(11 882)
Foreign	(1 377)	15 813	5 303	(114)	(6 419)	13 206
	<u>11 925</u>	<u>55 012</u>	<u>21 684</u>	<u>(458)</u>	<u>(26 528)</u>	<u>61 635</u>
Variable income securities						
Shares						
Portuguese	243	98	57	7	(313)	92
Foreign	1 947	(400)	(370)	(67)	222	1 332
Investment units	(2 763)	(2 198)	495	894	10 122	6 550
	<u>(573)</u>	<u>(2 500)</u>	<u>182</u>	<u>834</u>	<u>10 031</u>	<u>7 974</u>
	<u><u>11 352</u></u>	<u><u>52 512</u></u>	<u><u>21 866</u></u>	<u><u>376</u></u>	<u><u>(16 497)</u></u>	<u><u>69 609</u></u>

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Amortised cost of available-for-sale financial assets, net of impairment	3 593 928	3 575 865
Accumulated impairment recognised	(64 567)	(55 763)
	3 529 361	3 520 102
Amortised cost of available-for-sale financial assets, net of impairment	3 529 361	3 520 102
Market value of available-for-sale financial assets	3 495 785	3 589 711
	(33 576)	69 609
Net unrealised gains/ (losses) recognised in the fair value reserve	(33 576)	69 609

48 Distribution of profit

In 2015 and 2014, CEMG has not distributed profits.

49 Non-controlling interests

This balance is analysed as follows:

	(Thousands of Euro)			
	Statement of Financial Position		Income Statement	
	Jun 2015	Dec 2014	Jun 2015	Jun 2014
Finibanco Angola S.A.	12 900	13 610	747	1 003
Banco Terra, S.A.	10 694	12 830	(1 232)	-
	23 594	26 440	(485)	1 003
	23 594	26 440	(485)	1 003

The movements of this balance are analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Opening balance	26 440	11 035
Exchange differences	(8 636)	862
Dividends	-	(2 469)
Others	6 275	15 436
	<u>24 079</u>	<u>24 864</u>
Net income attributable to non-controlling interest	(485)	1 576
Closing balance	<u><u>23 594</u></u>	<u><u>26 440</u></u>

			Percentage held by non-controlling interests	
Name	Head of office	Segment	Jun 2015	Dec 2014
Finibanco Angola, S.A.	Luanda	Banca	18,43%	18,43%
Banco Terra, S.A.	Maputo	Banca	55,46%	55,46%

50 Obligations and future commitments

Obligations and future commitments are analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Guarantees granted	537 595	534 775
Guarantees received	31 528 362	31 702 268
Commitments to third parties	1 484 896	1 256 209
Commitments from third parties	138 493	94 206
Assets transferred in securitised operations	181 090	191 970
Securities and items held for safekeeping on behalf of customers	7 776 695	8 456 178
	41 647 131	42 235 606

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Guarantees granted		
Guarantees	483 683	487 896
Open documentary credits	53 482	46 451
Guarantees and indemnities (counter)	430	428
	537 595	534 775
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	642 306	653 777
Annual contributions to the Guarantee Deposits Fund	25 314	25 314
Potential obligation with the Investor's Indemnity System	2 774	3 217
Revocable commitments		
Revocable credit lines	814 502	573 901
	1 484 896	1 256 209

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

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

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

As at 30 June 2015 and 31 December 2014, the balance Annual contribution to the obligations of Guarantee Deposits Fund is related with the irrevocable commitment assumed by the Group and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

As at 30 June 2015 and 31 December 2014, the balance Potential obligation with the Investors' Indemnity System refers to the irrevocable obligation that the Group assumed, under the applicable law, to deliver to that system, in case needed, the required amount to pay its share of the indemnities to be paid to investors.

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

51 Fair value

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

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

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

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

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

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

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

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

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

For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank was 0.05% (31 December 2014: 0.32%).

- Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year).
- *Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives), Available-for-sale financial assets and other Financial Assets at the fair value through profit and loss*

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

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

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

- *Financial assets held to maturity*

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

- *Hedging and trading derivatives*

All derivatives are recorded at fair value.

In the case of derivatives' contracts that are quoted in organized markets these market prices are used. As for derivatives traded "over the counter", apply the numerical methods based on techniques of discounted cash flow valuation models and considering options including changing market interest rates applicable to the instruments concerned, and where necessary, their volatility.

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

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

The fair value of these instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments for each of the homogeneous classes of this type of instrument and with similar maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the second quarter of 2015. The average discount rate was 3.84% (31 December 2014: 3.88%), assuming the projection of variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

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

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

- *Deposits from customers*

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in identical instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of the Group at the date of the report, which was calculated from the average production of the second quarter of 2015. The average discount rate was of 0.70% (31 December 2014: 1.37%).

- *Debt securities issued and Subordinated debt*

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

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

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

In the own securities issues the placement of Non-institutional customers of the Group, added an differential (commercial spread) which represents the existent margin between the funding costs in the institutional market and what is obtained by distributing the respective instrument in the commercial network.

As at 30 June 2015, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of the Group:

	Currency				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0.1180%	0.2200%	0.4450%	-2.2750%	-0.1250%
7 days	-0.1200%	0.2350%	0.5500%	-0.8750%	0.0700%
1 month	-0.0640%	0.3600%	0.5800%	-0.8750%	0.0700%
2 months	-0.0380%	0.4100%	0.6600%	-0.9000%	-0.0950%
3 months	-0.0140%	0.4000%	0.7100%	-0.9000%	0.0100%
6 months	0.0500%	0.5900%	0.8450%	-0.8400%	0.0550%
9 months	0.1000%	0.7050%	0.9850%	-0.8950%	-0.0750%
1 year	0.1640%	0.9100%	1.1050%	-0.8350%	0.1500%
2 years	0.1215%	1.0589%	1.1020%	-0.7406%	0.1499%
3 years	0.2175%	1.2083%	1.1020%	-0.6324%	0.1499%
5 years	0.5024%	1.5082%	1.1020%	-0.4153%	0.1499%
7 years	0.8009%	1.8090%	1.1020%	-0.1977%	0.1499%
10 years	1.1600%	2.2575%	1.1020%	0.1273%	0.1499%
15 years	1.5075%	2.6504%	1.1020%	0.6700%	0.1499%
20 years	1.6485%	2.8060%	1.1020%	0.6700%	0.1499%
30 years	1.6990%	2.8970%	1.1020%	0.6700%	0.1499%

As at 31 December 2014, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of the Group:

	Currency				
	Euro	United State Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0.0150%	0.1700%	0.5300%	-0.0500%	-0.0200%
7 days	-0.0150%	0.1980%	0.5300%	-0.0500%	-0.0200%
1 month	0.0180%	0.3100%	0.5250%	-0.2000%	-0.0200%
2 months	0.0440%	0.3750%	0.5600%	-0.2200%	-0.0200%
3 months	0.0780%	0.1900%	0.6000%	-0.2400%	0.0450%
6 months	0.1710%	0.5000%	0.6750%	-0.0200%	0.0650%
9 months	0.2450%	0.6000%	0.8700%	-0.0200%	0.1100%
1 year	0.3250%	0.8200%	0.9250%	-0.0300%	0.1450%
2 years	0.1770%	0.8930%	0.9280%	-0.0960%	0.1449%
3 years	0.2240%	1.2930%	1.1340%	-0.0590%	0.1449%
5 years	0.3600%	1.7880%	1.4410%	0.0720%	0.1449%
7 years	0.5320%	2.0640%	1.6390%	0.2470%	0.1449%
10 years	0.8195%	2.3060%	1.8360%	0.5140%	0.1449%
15 years	1.1528%	2.5280%	2.0630%	0.7720%	0.1449%
20 years	1.3268%	2.6070%	2.0630%	0.7720%	0.1449%
30 years	1.4718%	2.6830%	2.0630%	0.7720%	0.1449%

Exchange rates and volatility

Following we present the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

Exchange	Volatility (%)						
	Jun-15	Dec-14	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.1189	1.2141	13.688	12.275	11.575	11.250	11.100
EUR/GBP	0.7114	0.7789	11.550	10.250	9.850	9.650	9.500
EUR/CHF	1.0413	1.2024	10.350	10.325	10.175	10.200	10.150
EUR/JPY	137.01	145.23	14.800	12.700	12.100	11.750	11.550

Concerning the exchange rates, the Group uses in the valuation models the spot rate observed in the market at the time of the valuation.

The fair value for each group of assets and liabilities as at 30 June 2015 and 31 December 2014 is presented as follows:

(Thousands of Euro)

Jun 2015						
	Designated at fair value	Amortised cost	Available-for- sale	Others	Book value	Fair value
Financial assets						
Cash and deposits at central banks	-	360 059	-	-	360 059	360 059
Loans and advances to credit institutions repayable on demand	-	222 262	-	-	222 262	222 262
Loans and advances to credit institutions	-	348 364	-	-	348 364	348 364
Loans and advances to customers	45 698	14 874 457	-	-	14 920 155	14 045 404
Financial assets held for trading	79 389	-	-	-	79 389	79 389
Available-for-sale financial assets	-	-	3 495 785	-	3 495 785	3 495 785
Hedging derivatives	32	-	-	-	32	32
Held-to-maturity investments	-	151 562	-	-	151 562	151 785
Investments in associated companies and others	-	-	-	20 749	20 749	20 749
	<u>125 119</u>	<u>15 956 704</u>	<u>3 495 785</u>	<u>20 749</u>	<u>19 598 357</u>	<u>18 723 829</u>
Financial liabilities						
Deposits from central banks	-	2 777 391	-	-	2 777 391	2 777 391
Deposits from other credit institutions	71 491	2 071 630	-	-	2 143 121	2 143 227
Deposits from customers	84 019	13 086 637	-	-	13 170 656	13 295 663
Debt securities issued	106 177	1 675 832	-	-	1 782 009	1 832 743
Financial liabilities relating to transferred assets	-	-	-	124 170	124 170	233 277
Financial liabilities held for trading	45 798	-	-	-	45 798	45 798
Hedging derivatives	1 119	-	-	-	1 119	1 119
Other subordinated debt	15 684	315 807	-	-	331 491	324 951
	<u>324 288</u>	<u>19 927 297</u>	<u>-</u>	<u>124 170</u>	<u>20 375 755</u>	<u>20 654 169</u>

(Thousands of Euro)

Dec 2014						
	Designated at fair value	Amortised cost	Available-for- sale	Others	Book value	Fair value
Financial assets						
Cash and deposits at central banks	-	284 813	-	-	284 813	284 813
Loans and advances to credit institutions repayable on demand	-	217 043	-	-	217 043	217 043
Loans and advances to credit institutions	-	546 162	-	-	546 162	546 162
Loans and advances to customers	44 110	15 182 113	-	-	15 226 223	14 528 632
Financial assets held for trading	86 581	-	-	-	86 581	86 581
Available-for-sale financial assets	-	-	3 589 673	-	3 589 673	3 589 673
Hedging derivatives	60	-	-	-	60	60
Held-to-maturity instruments	-	120 101	-	-	120 101	120 549
Investment in associated companies and others	-	-	-	24 636	24 636	24 636
	<u>130 751</u>	<u>16 350 232</u>	<u>3 589 673</u>	<u>24 636</u>	<u>20 095 292</u>	<u>19 398 149</u>
Financial liabilities						
Deposits from central banks	-	2 496 886	-	-	2 496 886	2 496 886
Deposits from other credit institutions	89 301	980 855	-	-	1 070 156	1 070 156
Deposits from customers	95 657	14 219 002	-	-	14 314 659	14 426 952
Financial liabilities relating to transferred assets	196 809	1 949 716	-	-	2 146 525	2 238 129
Financial liabilities held for trading	-	-	-	163 650	163 650	163 650
Hedging derivatives	1 494	-	-	-	1 494	1 494
Other subordinated debt	69 632	303 647	-	-	373 279	319 138
	<u>452 893</u>	<u>19 950 106</u>	<u>-</u>	<u>163 650</u>	<u>20 566 649</u>	<u>20 716 405</u>

The following table shows, by valuation levels, the fair value of CEMG's financial assets and liabilities, as at 30 June 2015:

(Thousands of Euro)

	Jun 2015				
	Level 1	Level 2	Level 3	Financial instruments at cost	Book value
Financial assets					
Cash and deposits at central banks	360 059	-	-	-	360 059
Loans and advances to credit institutions repayable on demand	222 262	-	-	-	222 262
Loans and advances to credit institutions	348 364	-	-	-	348 364
Loans and advances to customers	-	45 698	13 999 706	-	14 045 404
Financial assets held for trading	50 951	28 438	-	-	79 389
Available-for-sale financial assets	2 625 120	513 787	262 614	94 264	3 495 785
Hedging derivatives	-	32	-	-	32
Held-to-maturity investments	151 562	-	-	-	151 562
Investments in associated companies and others	-	-	-	20 749	20 749
	<u>3 758 318</u>	<u>587 955</u>	<u>14 262 320</u>	<u>115 013</u>	<u>18 723 606</u>
Financial liabilities					
Deposits from central banks	2 777 391	-	-	-	2 777 391
Deposits from other credit institutions	2 071 630	71 491	-	-	2 143 121
Deposits from customers	-	84 019	13 086 752	-	13 170 771
Debt securities issued	-	106 177	1 675 832	-	1 782 009
Financial liabilities relating to transferred assets	-	-	233 277	-	233 277
Financial liabilities held for tradings	1 843	43 955	-	-	45 798
Hedging derivatives	-	1 119	-	-	1 119
Other subordinated debt	-	15 684	315 807	-	331 491
	<u>4 850 864</u>	<u>322 445</u>	<u>15 311 668</u>	<u>-</u>	<u>20 484 977</u>

The following table shows, by valuation levels, the fair value of CEMG's financial assets and liabilities, as at 31 December 2014:

(Thousands of Euro)

Dec 2014					
	Level 1	Level 2	Level 3	Financial instruments at cost	Book value
Financial assets					
Cash and deposits at central banks	284 813	-	-	-	284 813
and advances to credit institutions repayable on demand	217 043	-	-	-	217 043
Loans and advances to credit institutions	545 162	-	-	-	545 162
Loans and advances to customers	-	-	15 226 275	-	15 226 275
Financial assets held for trading	6 763	74 509	5 309	-	86 581
Available-for-sale financial assets	2 776 774	700 112	7 329	105 496	3 589 711
Hedging derivatives	-	60	-	-	60
Held-to-maturity investments	120 101	-	-	-	120 101
Investments in associated companies and others	-	-	-	24 598	24 598
	<u>3 950 656</u>	<u>774 681</u>	<u>15 238 913</u>	<u>130 094</u>	<u>20 094 344</u>
Financial liabilities					
Deposits from central banks	2 496 886	-	-	-	2 496 886
Deposits from other credit institutions	1 009 147	61 009	-	-	1 070 156
Deposits from customers	-	-	14 314 659	-	14 314 659
	-	-	-	-	2 146 525
Debt securities issued	-	-	2 146 525	-	-
Financial liabilities relating to transferred assets	-	-	163 650	-	163 650
Financial liabilities held for trading	561	84 731	-	-	85 292
Hedging derivatives	-	1 494	-	-	1 494
Other subordinated debt	-	383 576	-	-	383 576
	<u>3 506 594</u>	<u>530 810</u>	<u>16 624 834</u>	<u>-</u>	<u>20 662 238</u>

The Group uses the following hierarchy for fair value with 3 levels in the evaluation of financial instruments (assets and liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IRFS 13:

- Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market if the instrument, or most advantageous market for which there is access.
- Level 2: Fair value is determined based on evaluation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and evaluation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument.
- Level 3: Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use to evaluate the same instruments, including assumptions about the inherent risks, the evaluation technique used and inputs used and review processes to test the accuracy of the values obtained.

The Group considers an active market for particular financial instruments at the measurement date, depending on business volumes and liquidity of the transactions made, the relative volatility of the prices quoted and the readiness and availability of information, the following minimum conditions should verify:

- Existence of frequent daily prices trading in the last year;
- The above quotations are exchanged regularly;
- There executable quotes from more than one entity.

A parameter used in an evaluation technique is considered observable in the market, if the following conditions are met:

- If its value is determined in an active market;
- Or, if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes;
- Or, the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the preceding paragraphs.

52 Assets under management

In accordance with the legislation in force, the fund management companies and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under the terms of the Law and the management regulations of the funds.

As at 30 June 2015 and 31 December 2014, the amount of the investment funds managed by Group companies is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Investment funds	279 902	351 832
Real estate investment funds	333 571	342 743
Pension funds	194 786	197 283
Bancassurance	94 926	117 932
	903 185	1 009 790

The amounts recognised in these accounts are measured at fair value determined at the balance sheet date.

53 Related parties transactions

The Group provides loans and advances in the normal course of its activities to related parties. The Group grants to its loans and advances at interest rates indexed in the referred agreements or in internal regulation for each type of operation, based in credit offers presented to employees.

For CEMG's Executive Board of Directors and the Board of Directors of the companies from the consolidation perimeter, the credit recorded as at 30 June 2015 amounted to Euro 234 thousands (31 December 2014: Euro 242 thousands), representing 0.02% of the equity (31 December 2014: 0.02%). These credits are conceded in compliance with legal standards and regulatory standards.

As at 30 June 2015, loans, guarantees and irrevocable credit lines granted by CEMG to the companies included in consolidation perimeter, amounted to Euro 678,655 thousands (31 December 2014: Euro 649,834 thousands).

As at 30 June 2015, the amount of credit granted and irrevocable credit lines granted to key elements of Management amounted to Euro 4,385 thousands (31 December 2014: Euro 4,608 thousands).

Transactions with pension's fund

As part of estate's Fund and whose lessee is CEMG, the amount of income incurred on 30 June 2015 amounts to Euro 246 thousands (31 December 2014: Euro 492 thousands).

The group of companies considered as related parties by the Group beyond the associates presented in the notes 27 – Associated and 59 – Subsidiaries, as defined by IAS 24, is presented as follows:

Executive Board of Directors (until 7 August 2015)

António Tomás Correia
João Carlos Martins da Cunha Neves
Jorge Humberto da Cruz Barros de Jesus Luís
Fernando Paulo Pereira Magalhães
Pedro Miguel de Almeida Alves Ribeiro

Executive Board of Directors: (after 7 August 2015)

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

Institutional capital owner:

Montepio Geral Associação Mutualista

Other related parties:

Bem Comum, Sociedade Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Carteira Imobiliária - FEIA
Clínica CUF Belém, SA
Clínica de Serviços Médicos Computorizados de Belém, S.A.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Fundação Montepio Geral

Fundo de Pensões Montepio
Fundo de Pensões Viva
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.
Germont - Empreendimentos Imobiliários, S.A.
HTA - Hóteis, Turismo e Animação dos Açores, S.A.
Iberpartners Cafés - S.G.P.S., S.A.
Leacock, Lda
Lestinvest, S.G.P.S., S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Lykeion - Centro de Conhecimento Unipessoal, Lda
MG Investimentos Imobiliários, S.A.
Moçambique Companhia de Seguros, SARL
Montepio Gestão de Activos - S.G.F.I., S.A.
Montepio Gestão de Activos Imobiliários, ACE
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxiliares, S.A.
Montepio Seguros, S.G.P.S., S.A.
N Seguros, S.A.
Naviser - Transportes Marítimos Internacionais, S.A.
NEBRA, Energias Renovables, S.L.
Nova Câmbios, S.A.
OBOL Invest
Pinto & Bulhosa, S.A.
Residências Montepio, Serviços de Saúde, S.A.
Sagies, S.A.
SIBS - SGPS, S.A.
Silvip, S.A.
Sociedade Portuguesa de Administrações, S.A.
Unicre - Instituição Financeira de Crédito, S.A.

As at 30 June 2015, debits and credits owned by the Group on related parties, represented or not for securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers are analysed as follows:

(Thousands of Euro)

Companies	Jun 2015				
	Deposits from customers	Other subordinated debt	Other liabilities	Loans and advances to customers	Other assets
Executive Board of Directors (until 7 August 2015)	249	-	-	234	-
Executive Board of Directors (after 7 August 2015)	509	45	-	-	-
Bolsimo – Gestão de Ativos, S.A.	5 605	-	-	1	-
Clínica CUF Belém, S.A.	5	-	-	-	-
Fundação Montepio Geral	1 650	-	-	-	-
Fundo de Pensões Montepio	29 058	3 098	-	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	3 243	-	-	1	-
Germont – Empreendimentos Imobiliários, S.A.	841	-	-	20 688	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	118	-	-	232	-
Iberpartners Cafés S.G.P.S., S.A.	-	-	-	1 610	-
Lestinvest, S.G.P.S., S.A.	42	-	-	55 159	-
Lusitania Vida, Companhia de Seguros, S.A.	46 817	21 250	-	1	-
Lusitania, Companhia de Seguros, S.A.	78 455	13 749	-	1	-
Montepio Geral Associação Mutualista	346 107	1 588 211	20 752	4	20 000
Montepio Gestão de Ativos – S.G.F.I., S.A.	1 652	-	-	-	-
Montepio Gestão de Ativos Imobiliários, ACE	2 173	-	-	-	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxiliares, S.A.	389	-	-	13 730	-
Montepio Seguros, S.G.P.S., S.A.	7	-	-	-	-
N Seguros, S.A.	361	220	-	-	-
Nova Câmbios, S.A.	544	302	-	1 999	-
Residências Montepio, Serviços de Saúde, S.A.	110	-	-	700	-
SIBS – S.G.P.S., S.A.	2 546	-	-	-	-
Silvip, S.A.	1 730	-	-	-	-
Sociedade Portuguesa de Administrações, S.A.	11	-	-	-	-
	522 222	1 626 875	20 752	94 360	20 000

As at 31 December 2014, debits and credits owned by the Group on related parties, represented or not for securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers are analysed as follows:

(Thousands of Euro)

Companies	Dec 2014			
	Deposits from customers	Other subordinated debt	Other liabilities	Loans and advances to customers
Executive Board of Directors (until 7 August 2015)	519	-	-	242
Bolsimo – Gestão de Ativos, S.A.	3 265	-	-	1
Fundação Montepio Geral	1 092	18	-	-
Fundo de Pensões Montepio	43 478	6 448	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	3 087	-	-	-
Germont – Empreendimentos Imobiliários, S.A.	642	-	-	20 689
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	10	-	-	1 152
Iberpartners Cafés S.G.P.S., S.A.	-	-	-	1 622
Lestinvest, S.G.P.S., S.A.	21	-	-	53 977
Lusitania Vida, Companhia de Seguros, S.A.	62 564	48 050	-	1
Lusitania, Companhia de Seguros, S.A.	23 328	13 749	-	-
Montepio Geral Associação Mutualista	635 396	1 493 403	10 748	3
Montepio Geral Investimentos Imobiliários, S.A.	8	-	-	-
Montepio Gestão de Ativos – S.G.F.I., S.A.	1 788	-	-	-
Montepio Gestão de Ativos Imobiliários, ACE	1 730	-	-	-
Montepio Imóveis – Sociedade Imobiliária	393	-	-	13 591
Montepio Seguros, S.G.P.S., S.A.	4 919	-	-	-
N Seguros, S.A.	336	4 720	-	-
Nebra, Energias Renovables, SL	-	-	-	1 756
Nova Câmbios, S.A.	1 074	302	-	2 077
Residências Montepio, Serviços de Saúde, S.A.	202	-	-	752
SIBS – S.G.P.S., S.A.	2 804	-	-	-
Silvip, S.A.	2 006	-	-	-
	788 662	1 566 690	10 748	95 863

As at 30 June 2015, income and expenses of CEMG on related parties, included in items Interest and similar expense, Interest and similar income, Fee commission income, Net gains/ (losses) arising from assets and liabilities at fair value through profit or loss, Other operating income and General and administrative expenses, are analysed as follows:

(Thousands of Euro)

Companies	Jun 2015		
	Interest and similar expenses	Interest and similar income	Fee and comission income
Executive Board of Directors (until 7 August 2015)	-	3	-
Executive Board of Directors (after 7 August 2015)	-	5	-
Fundo de Pensões Montepio	-	231	1
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	25	5
Germont – Empreendimentos Imobiliários, S.A.	68	-	1
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	45	-	2
Iberpartners Cafés S.G.P.S., S.A.	-	12	-
Lestinvest, S.G.P.S., S.A.	880	-	1
Lusitania Vida, Companhia de Seguros, S.A.	-	410	-
Lusitania, Companhia de Seguros, S.A.	5	196	65
Montepio Geral Associação Mutualista	-	35 493	21 716
Montepio Gestão de Ativos – S.G.F.I., S.A.	-	14	3
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxiliares, S.A.	240	-	(1)
Montepio Seguros, S.G.P.S., S.A.	-	-	48
N Seguros, S.A.	-	-	4
Nova Câmbios, S.A.	50	-	53
Residências Montepio, Serviços de Saúde, S.A.	11	-	35
SIBS – S.G.P.S., S.A	-	11	1
Silvip, S.A.	-	11	-
	<u>1 299</u>	<u>36 411</u>	<u>21 934</u>

As at 30 June 2014, income and expenses of CEMG on related parties, included in Interest and similar expense, Interest and similar income and Fee and commission income, are analysed as follows:

(Thousands of Euro)

Companies	Jun 2014		
	Interest and similar expenses	Interest and similar income	Fee and comission income
Fundação Montepio Geral	-	3	-
Fundo de Pensões CEMG - Gerido pela Futuro	31	2 507	2
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	4	50	-
Germont – Empreendimentos Imobiliários, S.A.	102	-	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	2	-	-
Iberpartners Cafés S.G.P.S., S.A.	62	-	3
MG Investimentos Imobiliários, S.A.	-	-	1
Montepio Geral Associação Mutualista	385	36 392	2 916
Montepio Gestão de Activos – S.G.F.I., S.A.	-	20	2
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	3 517	2	-
Montepio Seguros, S.G.P.S., S.A.	354	985	473
N Seguros, S.A.	1	58	21
NEBRA, Energias Renovables, S.L.	56	-	17
Nova Câmbios, S.A.	68	-	19
Nutre S.G.P.S., S.A.	230	-	-
Residências Montepio, Serviços de Saúde, S.A.	62	1	82
SIBS - Sociedade Interbancária de Serviços, S.A.	-	45	-
	4 874	40 063	3 536

The costs with salaries and other benefits attributed to the Group key management personnel, as well as its transactions, are presented in note 11.

According to the principle of fair value, every transaction concerning related parties is performed at normal market prices.

During the first semester of 2015 and the 2014 period, there were no transactions with pension's fund of the Group.

54 Securitisation transactions

As at 30 June 2015, there are eight securitisation transactions, seven of which originated in the Group and one in *Montepio Holding Group* (ex: *Finibanco Holding Group*), currently integrated into the Group following the success of General and Voluntary Initial Public Offering on the equity representative shares of *Montepio Holding, S.G.P.S., S.A* (ex: *Finibanco – Holding, SGPS, S.A.*) and transmission of almost all assets and liabilities for the Group, as described in note 1 a).

In the following paragraphs there are some additional details regarding these securitisation transactions.

As at 19 December 2002, *Caixa Económica Montepio Geral* had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 650,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.016% of the referred nominal value.

As at 29 September 2003, *Caixa Económica Montepio Geral* had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 700,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0286% of the referred nominal value.

As at 30 March 2007, *Caixa Económica Montepio Geral* had settled a securitisation operation with *Sagres – Sociedade de Titularização de Créditos, S.A.*, Pelican Mortgage no. 3. The referred agreement consists in a mortgage credit transfer for a period of 47 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 750,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0165% of the referred nominal value.

As at 20 May 2008, *Caixa Económica Montepio Geral* had settled a securitisation operation with *Sagres – Sociedade de Titularização de Créditos, S.A.*, Pelican Mortgage no. 4. The referred agreement consists in a mortgage credit transfer for a period of 48 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.083% of the referred nominal value.

As at 9 December 2008, Finibanco had settled a mortgage credit portfolio to «*Tagus – Sociedade de Titularização de Créditos, S.A.*» in the amount of Euro 233,000 thousands (Aqua Mortgage No. 1). The total period of this operation is 55 years, with a revolving period of 2 years.

As at 25 March 2009, *Caixa Económica Montepio Geral* had settled a securitisation operation with *Sagres – Sociedade de Titularização de Créditos, S.A.*, Pelican Mortgage no. 5. The referred agreement consists in a mortgage credit transfer for a period of 52 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0564% of the referred nominal value.

As at 5 March 2012, *Caixa Económica Montepio Geral* had settled a securitisation operation with *Sagres – Sociedade de Titularização de Créditos, S.A.*, Pelican Mortgage No. 6. The referred agreement consists in a mortgage credit transfer for a period of 51 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,040,200 thousands. The sale was made at par with the cost of initial sale process represented 0.1083% of Assets Backed Note.

As at 5 March 2015, *Caixa Económica Montepio* signed with *Sagres - Sociedade de Titularização de Créditos, S.A* a securitisation contract for small and medium-sized enterprises, Pelican SME No. 2. The total period of operation is 28 years with revolving period of 24 months and with a limit (Aggregate Principal Amount Outstanding) of Euro 1,124,300 thousands. The sale was made at par with the cost of the initial sales process represented 0.0889% of Asset Backed Notes.

The entity that guarantees the debt service (servicer) of this operations is «*Caixa Económica Montepio Geral*» assuming the collection and distribution of credits assigned amounts received by deposits, to *Sociedades Gestoras de Fundos de Titularização de Créditos* (Pelican Mortgages No. 1, Pelican Mortgages No. 2 and Pelican SME No.1) and to *Sociedades de Titularização de Créditos* (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Aqua Mortgages No. 1, Pelican Mortgages No. 5, Pelican Mortgages No. 6 and Aqua Finance No. 3).

The entity that guarantees the debt service (servicer) of this operations is «*Caixa Económica Montepio Geral*» assuming the collection and distribution of credits assigned amounts received by deposits, to *Sociedades Gestoras de Fundos de Titularização de Créditos* (Pelican Mortgages No. 1, Pelican Mortgages No. 2) and to *Sociedades de Titularização de Créditos* (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican Mortgages No. 6, Aqua Mortgages No. 1, Pelican Finance No. 1 and Pelican SME No. 2).

Up to 31 December 2004, in accordance with accounting principles, as established by the Bank of Portugal, the assets, loans and securities transferred under above transactions were derecognised. The acquired securities under these transactions were classified as financial assets held-to-maturity and provided in accordance with Regulation no. 27/2000 of the Bank of Portugal.

In accordance with IFRS 1, the derecognition criteria followed in the consolidated financial statements of the Group did not changed for all transactions occurred until 1 January 2004. For all transactions after this date, the Group follows the guidance of IAS 39 derecognition criteria, which refers that derecognition have to occur either when risks and rewards have substantially been transferred or has not retained control of the assets.

As at 30 June 2015, the securitisation operations performed by the Group are presented as follows:

(Thousands of Euro)

Issue	Settlement date	Currency	Asset transferred	Initial amount
<i>Pelican Mortgages No. 1</i>	December de 2002	Euro	Mortgage credit	653 250
<i>Pelican Mortgages No. 2</i>	September de 2003	Euro	Mortgage credit	705 600
<i>Pelican Mortgages No. 3</i>	March de 2007	Euro	Mortgage credit	762 375
<i>Pelican Mortgages No. 4</i>	May de 2008	Euro	Mortgage credit	1 028 600
<i>Aqua Mortgage No. 1</i>	December de 2008	Euro	Mortgage credit	236 500
<i>Pelican Mortgages No. 5</i>	March de 2009	Euro	Mortgage credit	1 027 500
<i>Pelican Mortgages No. 6</i>	February de 2012	Euro	Mortgage credit	1 107 000
<i>Pelican SME n.º 2</i>	March de 2015	Euro	Small companies	1 124 300
				<u>6 645 125</u>

As at 30 June 2015, the notes issued by the special purpose vehicles, are analysed as follows:

Issue	Bond issued	Issue amount Euro	Currents amount Euro	CEMG's interest retention Euro	Maturity year	Rating (initial)				Rating (Current)			
						Fitch	Moodys	S&P	DBRS	Fitch	Moodys	S&P	DBRS
<i>Pelican Mortgages No 1</i>	Class A	611,000,000	15,811,777	6,354,989	2037	AAA	Aaa	n.a.	n.a.	A+	A1	n.a.	n.a.
	Class B	16,250,000	16,250,000	-	2037	AAA	A2	n.a.	n.a.	A+	A1	n.a.	n.a.
	Class C	22,750,000	22,750,000	-	2037	BBB+	Baa2	n.a.	n.a.	A	Baa1	n.a.	n.a.
	Class D	3,250,000	3,250,000	3,250,000	2037	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Mortgages No 2</i>	Class A	659,750,000	80,212,047	33,612,946	2036	AAA	Aaa	AAA	n.a.	A+	A1	A	n.a.
	Class B	17,500,000	17,500,000	10,360,000	2036	AA+	A1	AA-	n.a.	A+	A1	BBB+	n.a.
	Class C	22,750,000	22,750,000	8,600,000	2036	A-	Baa2	BBB	n.a.	BBB+	Ba2	BB	n.a.
	Class D	5,600,000	5,600,000	5,600,000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Mortgages No 3</i>	Class A	717,375,000	272,400,368	132,097,139	2054	AAA	Aaa	AAA	n.a.	BBB+	Baa3	BBB+	n.a.
	Class B	14,250,000	7,032,992	6,761,543	2054	AA-	Aa2	AA-	n.a.	BBB-	B1	BB	n.a.
	Class C	12,000,000	5,922,519	5,709,309	2054	A	A3	A	n.a.	BB	B3	BB	n.a.
	Class D	6,375,000	3,146,338	3,146,338	2054	BBB	Baa3	BBB	n.a.	B	Caa2	B+	n.a.
	Class E	8,250,000	-	-	2054	BBB-	n.a.	BBB-	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	4,125,000	4,125,000	4,125,000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Mortgages No 4</i>	Class A	832,000,000	577,165,702	577,165,702	2056	AAA	n.a.	n.a.	AAA	A	n.a.	n.a.	A
	Class B	55,500,000	51,092,869	51,092,869	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60,000,000	55,235,535	55,235,535	2056	A-	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	25,000,000	23,014,806	23,014,806	2056	BBB	n.a.	n.a.	n.a.	B+	n.a.	n.a.	n.a.
	Class E	27,500,000	25,316,287	25,316,287	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28,600,000	28,600,000	28,600,000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Mortgages No 5</i>	Class A	750,000,000	510,767,234	510,767,234	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAH
	Class B	195,000,000	178,889,661	178,889,661	2061	BBB-	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class C	27,500,000	25,228,029	25,228,029	2061	B	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	27,500,000	25,228,029	25,228,029	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4,500,000	199,149	199,149	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Mortgages No 6</i>	Class A	750,000,000	644,172,553	644,172,553	2063	A	n.a.	A-	AA	A+	n.a.	A-	AA
	Class B	250,000,000	250,000,000	250,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1,800,000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65,000,000	65,000,000	65,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40,200,000	40,200,000	40,200,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Aqua Mortgage No 1</i>	Class A	203,176,000	119,554,361	119,554,361	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A	AAH
	Class B	29,824,000	28,980,484	28,980,484	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3,500,000	3,500,000	3,500,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Finance No 1</i>	Class A	202,900,000	202,900,000	202,900,000	2028	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class B	91,100,000	91,100,000	91,100,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14,700,000	14,700,000	14,700,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Aqua NPL No 1</i>	Class A	14,300,000	14,300,000	-	2025	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class B	1,200,000	1,144,000	1,144,000	2025	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican SME No 2</i>	Class A	545,900,000	545,900,000	545,900,000	2043	A+	n.a.	n.a.	AI	A+	n.a.	A-	AI
	Class B	76,400,000	76,400,000	76,400,000	2043	A	n.a.	n.a.	n.a.	A	n.a.	n.a.	n.a.
	Class C	87,300,000	87,300,000	87,300,000	2043	BBB	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	398,500,000	398,500,000	398,500,000	2043	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	18,100,000	18,100,000	18,100,000	2043	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

The impact of loans transferred under the securitisation programs in the Loans and advances to customers, is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
<i>Pelican Mortgages No.1</i>	59 106	63 656
<i>Pelican Mortgages No.2</i>	121 984	128 314
	181 090	191 970

55 Segmental reporting

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

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

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

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

The Group has a network of 436 branches in Portugal, and with a branch in Cape Verde, one financial institution in Angola with 18 branches, one financial institution in Mozambique with 9 branches and 6 representation offices.

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

- 1) Retail Bank, which includes the sub segments of Private, Individual Managers, Micro business and Social Charity Private Institutions (IPSS);
- 2) Corporate and Institutional, which includes big sized companies, medium and small companies, Financial Institutions and The Public Sector; and
- 3) Other Segments, which includes all the entities that are not included in the other segments, namely the operations and management referring to Securities' own Portfolio and Applications in Credit Institutions. Each segment comprises the Group's structures that are directly or indirectly dedicated, as well as autonomous units of the Group which activity is connected to one of the above segments.

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

Operating segments description

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

Retail Banking

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

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

Corporate and Institutional Banking

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

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

Other segments

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

Allocation criteria of the activity and results to the operating segments

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

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

Measurement of profit or loss from operating segments

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

Autonomous Operating Segments

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

Group structures dedicated to the segment

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

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

- (i) The origin of the operation, i.e., the operation is allocated to the same segment as the commercial structure that originated it, even though, in a subsequent phase, the Group makes a strategic decision in order to securitise some of these originated assets;
- (ii) The allocation of a commercial margin to mass-products, established in a high level when the products/segments are launched;
- (iii) The allocation of a margin directly negotiated by the commercial structures with the clients for non-mass-products;
- (iv) The allocation of direct costs from commercial and central structures dedicated to the segment;
- (v) The allocation of indirect cost (central support and IT services) determined in accordance with specific drivers and with the Cost Based Approach (CBA) model;
- (vi) The allocation of credit risk determined in accordance with the Regulation no. 3/95 of the Bank of Portugal and with the impairment model.

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

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

Interest and similar income/expense

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

Consolidated Investments under the Equity Method

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

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

Non-current assets

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

Post Employment Benefits

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

Domestic and International Areas

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

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

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

(Thousands and Euro)				
Income Statement	Retail	Corporate and Institutional	Operations between segments	Total
Interest and similar income	142 668	123 514	82 847	349 029
Interest and similar expense	104 148	29 757	89 102	223 007
Net interest income	<u>38 520</u>	<u>93 757</u>	<u>(6 255)</u>	<u>126 022</u>
Dividends from equity instruments	-	-	1 400	1 400
Fees and commissions income	33 622	21 917	10 121	65 660
Fees and commissions expense	(7 606)	(454)	(8 404)	(16 464)
Net gains/ (losses) arising from assets and liabilities at fair value through profit and loss	-	-	11 199	11 199
Net gains/ (losses) arising from available-for-sale financial assets	-	-	83 418	83 418
Net gains arising from foreign exchange differences	-	-	7 239	7 239
Net gains/ (losses) from sale of other financial assets	-	-	(7 821)	(7 821)
Other operating income	4 174	423	10 170	14 767
Total de proveitos operacionais	<u>68 710</u>	<u>115 643</u>	<u>101 067</u>	<u>285 420</u>
Staff costs	67 110	20 695	14 034	101 839
General and administrative expenses	36 854	11 116	9 787	57 757
Depreciation and amortisation	8 835	2 665	2 346	13 846
Total operating costs	<u>112 799</u>	<u>34 476</u>	<u>26 167</u>	<u>173 442</u>
Total of provisions and impairment	112 733	34 476	26 167	173 376
Operating profit	<u>(156 822)</u>	<u>46 691</u>	<u>48 733</u>	<u>(61 398)</u>
Equity accounting earnings	<u>-</u>	<u>-</u>	<u>4 116</u>	<u>4 116</u>
Income before taxes and non-controlling interests	(156 822)	46 691	52 849	(57 282)
Current taxes	-	-	218	218
Deferred taxes	-	-	28 040	27 670
Non-controlling interests	-	-	485	485
Consolidated profit for the period related to the institutional capital and the participation fund	<u>(156 822)</u>	<u>46 691</u>	<u>81 592</u>	<u>(28 909)</u>
Net assets	12 470 937	4 770 432	4 905 476	22 146 845
Liabilities	10 895 029	4 135 505	5 626 010	20 656 544
Investments in associates	-	-	20 749	20 749

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

	(Thousands of Euro)			
Income statement	Retail	Corporate and institutional	Operations between segments	Total
Interest and similar income	197 895	245 620	19 756	463 271
Interest and similar expense	140 708	77 749	84 238	302 695
Net interest income	<u>57 187</u>	<u>167 871</u>	<u>(64 482)</u>	<u>160 576</u>
Dividends from equity instruments	-	-	493	493
Fees and commissions income	39 955	12 106	17 174	69 235
Fee and commissions expense	(4 055)	(443)	(13 019)	(17 517)
Net gains/ (losses) arising from assets and liabilities at fair value through profit and loss	-	-	508	508
Net gains/ (losses) arising from available-for-sale financial assets	-	-	275 067	275 067
Net gains arising from foreign exchange differences	-	-	9 849	9 849
Net gains from sale of other financial assets	-	-	(14 176)	(14 176)
Other operating income	(3 721)	441	(3 676)	(6 956)
Total operating income	<u>89 366</u>	<u>179 975</u>	<u>207 738</u>	<u>477 079</u>
Staff costs	64 679	18 238	12 365	95 282
General and administrative expenses	36 748	9 630	8 126	54 504
Depreciation and amortisation	10 402	2 726	2 300	15 428
Total operating costs	<u>111 829</u>	<u>30 594</u>	<u>22 791</u>	<u>165 214</u>
Total of provisions and impairment	36 047	228 984	27 875	292 906
Operating profit	<u>(58 510)</u>	<u>(79 603)</u>	<u>157 072</u>	<u>18 959</u>
Equity accounted earnings	-	-	208	208
Income before taxes and non-controlling interests	(58 510)	(79 603)	157 280	19 167
Current taxes	-	-	(38 894)	(38 894)
Deferred taxes	-	-	26 939	26 939
Non-controlling interests	(1 003)	-	-	(1 003)
Consolidated profit for the period related to the institutional capital and the participation fund	<u>(59 513)</u>	<u>(79 603)</u>	<u>145 325</u>	<u>6 209</u>
Net assets	12 881 718	5 043 133	4 439 141	22 363 992
Liabilities	13 510 192	827 954	6 293 305	20 631 451
Investments in associates	-	-	32 279	32 279

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

Geographical segments

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

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

(Thousands of Euro)				
Income statement	Domestic	International	Adjustments	Consolidated
Interest and similar income	321 752	38 588	(11 311)	349 029
Interest and similar expense	212 300	22 018	(11 311)	223 007
Net interest income	<u>109 452</u>	<u>16 570</u>	<u>-</u>	<u>126 022</u>
Dividends from equity instruments	1 400	-	-	1 400
Fees and comission income	62 086	3 805	(231)	65 660
Fees and comission expense	(16 250)	(445)	231	(16 464)
Net gains / (losses) arising from assets and liabilities at fair value through profit and loss	10 367	832	-	11 199
Net gains / (losses) arising from available-for-sale financial assets	83 418	-	-	83 418
Net gains arising from foreign exchange differences	1 285	5 954	-	7 239
Net gains from sale of other financial assets	(6 430)	1	-	(6 429)
Other operating income	13 255	(33)	(217)	13 005
Total operating income	<u>258 583</u>	<u>26 684</u>	<u>(217)</u>	<u>285 050</u>
Staff costs	95 350	6 489	-	101 839
General and administrative expenses	50 833	7 141	(217)	57 757
Depreciation and amortisation	12 432	1 414	-	13 846
Total operating costs	<u>158 615</u>	<u>15 044</u>	<u>(217)</u>	<u>173 442</u>
Loans impairment	144 150	7 136	-	151 286
Other financial assets impairment	8 484	(67)	-	8 417
Other assets impairment	10 667	-	-	10 667
Other provisions	(5 149)	(77)	-	(5 226)
Operating profit	<u>(58 184)</u>	<u>4 648</u>	<u>-</u>	<u>(53 536)</u>
Equity accounted earnings	<u>(4 116)</u>	<u>-</u>	<u>-</u>	<u>(4 116)</u>
Income before taxes and non-controlling interests	<u>(62 300)</u>	<u>4 648</u>	<u>-</u>	<u>(57 652)</u>
Current taxes	2 523	(2 305)	-	218
Deferred taxes	28 040	-	-	28 040
Non-controlling interests	-	-	(485)	485
Consolidated profit for the period related to the institutional capital and the participation fund	<u>(31 737)</u>	<u>2 343</u>	<u>(485)</u>	<u>(28 909)</u>

(Thousands of Euro)

Statement of Financial Position

	Domestic	International	Adjustments	Consolidated
Cash and deposits at central banks	263 691	96 368	-	360 059
Loans and advances to credit institutions repayable on demand	228 182	33 372	(39 292)	222 262
Other loans and advances to credit institutions	394 453	515 812	(561 901)	348 364
Loans and advances to customers	14 605 586	314 569	-	14 920 155
Financial assets held for trading	79 389	-	-	79 389
Financial assets available-for-sale	3 482 778	13 007	-	3 495 785
Hedging derivatives	32	-	-	32
Held-to-maturity investments	17 651	133 911	-	151 562
Investments in associated companies and others	73 808	-	(53 059)	20 749
Non-current assets held for sale	852 972	604	-	853 576
Investments properties	740 145	-	-	740 145
Other tangible assets	53 261	39 350	-	92 611
Intangible assets	57 425	7 094	3 279	67 798
Current tax assets	1 332	3 946	-	5 278
Deferred tax assets	417 195	-	-	417 195
Other assets	362 087	9 798	-	371 885
Total Assets	21 629 987	1 167 831	(650 973)	22 146 845
Deposits from central banks	2 776 576	815	-	2 777 391
Deposits from credit institutions	2 672 486	34 433	(563 798)	2 143 121
Deposits from customers	12 195 092	982 238	(6 669)	13 170 661
Debt securities issued	1 782 009	-	-	1 782 009
Financial liabilities associated to transferred assets	124 170	-	-	124 170
Financial liabilities held for trading	45 798	-	-	45 798
Hedging derivatives	1 119	-	-	1 119
Non-current liabilities available for sale	77	-	-	77
Provisions	13 287	959	-	14 246
Current tax liabilities	1 444	120	-	1 564
Other subordinated debt	331 448	27 069	(27 026)	331 491
Other liabilities	245 738	19 159	-	264 897
Total Liabilities	20 189 244	1 064 793	(597 493)	20 656 544
Institutional capital	1 500 000	95 313	(95 313)	1 500 000
Participation fund	400 000	-	-	400 000
Other equity instruments	8 273	-	-	8 273
Own securities	(21 716)	-	-	(21 716)
Revaluation reserves	(9 465)	(8 704)	-	(18 169)
Other reserves and retained earnings	(404 612)	10 386	21 454	(372 772)
Consolidated profit for the period related to the institutional capital and the participation fund	(31 737)	2 343	485	(28 909)
Total equity attributable to institutional capital and participation fund shareholders	1 440 743	99 338	(73 374)	1 466 707
Non-controlling interest	-	-	23 594	23 594
Total Equity	1 440 743	99 338	(49 780)	1 490 301
Total Liabilities and Equity	21 629 987	1 164 131	(647 273)	22 146 845

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

(Thousands of Euro)

Income statement	Domestic	International	Adjustments	Consolidated
Interest and similar income	446 650	29 279	(12 658)	463 271
Interest and similar expense	295 742	19 611	(12 658)	302 695
Net interest income	<u>150 908</u>	<u>9 668</u>	<u>-</u>	<u>160 576</u>
Dividends from equity instruments	493	-	-	493
Fees and commissions income	64 254	4 981	-	69 235
Fee and commissions expense	(17 132)	(385)	-	(17 517)
Net gains / (losses) arising from assets and liabilities at fair value through profit and loss	508	-	-	508
Net gains / (losses) arising from available-for-sale financial assets	275 067	-	-	275 067
Net gains arising from foreign exchange differences	2 006	7 843	-	9 849
Net gains from sale of other financial assets	(14 176)	-	-	(14 176)
Other operating income	(5 361)	(1 109)	(486)	(6 956)
Total operating income	<u>456 567</u>	<u>20 998</u>	<u>(486)</u>	<u>477 079</u>
Staff costs	92 116	3 166	-	95 282
General and administrative expenses	50 750	4 240	(486)	54 504
Depreciation and amortisation	14 575	853	-	15 428
Total operating costs	<u>157 441</u>	<u>8 259</u>	<u>(486)</u>	<u>165 214</u>
Loans impairment	260 048	5 305	-	265 353
Other assets impairment	25 708	-	-	25 708
Other financial assets impairment	2 795	302	-	3 097
Other provisions	(1 252)	-	-	(1 252)
Operating profit	<u>11 827</u>	<u>7 132</u>	<u>-</u>	<u>18 959</u>
Equity accounted earnings	<u>208</u>	<u>-</u>	<u>-</u>	<u>208</u>
Income before taxes and non-controlling interests	<u>12 035</u>	<u>7 132</u>	<u>-</u>	<u>19 167</u>
Current taxes	(37 315)	(1 579)	-	(38 894)
Deferred taxes	26 939	-	-	26 939
Non-controlling interests	-	-	(1 003)	(1 003)
Consolidated profit for the period related to the institutional capital and the participation fund	<u>1 659</u>	<u>5 553</u>	<u>(1 003)</u>	<u>6 209</u>

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

(Thousands of Euro)

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

56 Risk management

The Group is subject to several risks during the course of its business.

The Group's risk management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

In this connection, monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the Group's business is subject are of particular importance.

“*Direcção de Risco*” (“DRI”) supports the Executive Board of Directors in the decision making associated to the management of different risk types inherent to the activity, within the CEMG Group. DRI includes three departments and a nucleus:

- Modeling Risks Department: responsible for the development and integration in decision making of internal models of credit risk analysis and internal reports on credit risk;
- Global Risks Department: ensure the examination and supervisory reporting of liquidity risks, market, interest rate and solvency, as well as their integration into decision-making processes;
- Business Risks Department: responsible for the politics definition of analysis and credit concession and for the operationalisation of management system and operational risk measurement, and business continuity management cycle; and
- Companies rating core: responsible for the financial statements integration in Institution's software, for client's risk rating of the companies' segments and businesses, and for developing and applying methods of assigning exposure limits to companies.

This Direction assures the analysis and management of Market Risks, Liquidity, Interest Rate, Credit and Operational, providing counselling to Executive Board of Directors, through the proposal of normative and models for management of different risks, the management reports elaboration which is used in the decision making of the Risk Committee and Internal Control Committee.

DRI equally assures the following of a set of prudential reports to the supervision authority, particularly with the own funds requisites, control of high risks and related parts funding, liquidity risk, interest rate risk, country risk, counterparty risk, self-valuation of adequacy of Own Capital, Market Discipline, Recovery Plan and Resolving Plan.

Also within the context of risk management, DRI:

- Defines and proposes the adoption of normatives and other support instruments to credit decision, namely, proposes the adjustment of Credit Concession Standards, having in count the activity evolution, market conditions and competition practices;
- Creates, develops and monitorises the performance of internal rating and scoring models, in credit origination, such as the systems of credit risk follow up;

- Proposes guiding principles and intervention measures by credit portfolio, client segment, activity sector and credit line, as well as the pricing adjustment of operations for credit to risk, according to strategic guide lines pre-defined;
- Provides opinions on standards procedures, new credit products, financial lines and existing revision;
- Develops monitoring systems of credit, namely *sistema de acompanhamento preventivo para particulares e empresas (EWS – Early Warning Signals)*, and performs the monitoring;
- Develops risk rating systems for particulars and business's (reacting and behavioural scoring) and companies (internal ratings);
- Includes the internal systems of operational risk evaluation, adapted to the supervision requirements;
- Provides information to help in the decision making about the definition and implementation of strategies to risk management and definition of the "Room" regulation, according to the decisions in the context of Assets and Liabilities Management and the evolution estimative of the assets markets relevant to the activity of Group's entities, and offers technical support, when required;
- Provides information about CEMG's risk analysis, as well as the evolution on the assets market where the main risks are concentrated, for presentation to Rating agencies, to institutional investors, external auditors, supervision authorities and inclusion in the Financial Statements;
- Produces statistical analysis about credit risk of portfolios to be included in securitisation operations, particularly addressing over frequencies related to default or loss severity.

Additionally, for credit risk management, "*Direcção de Análise de Crédito*" ensures the assessment of credit proposals from companies and individuals, as well as the assignment of internal ratings in the corporate segment and retail segment.

On the regulatory and Basel II, were developed reports referred in Pillar II - Capital adequacy, and Pillar III - Market Discipline. Under Pillar II were reported to Bank of Portugal reports Process Self-Evaluation of the Capital Market ("ICAAP"), Stress Testing and Risk Concentration as Instruction no. 5/2011, from the Bank of Portugal. The results of the reports point to the soundness of capital levels commensurated with the risks with greater materiality and the potential adverse developments in key macroeconomic indicators. At the level of risk concentration there is a positive development in the main types of concentration - Sectorial, Geographic and Individual with relevance to the progressive reduction in the construction sector. Under Pillar III, was made public the report of Market Discipline, detailing the types and levels of risk incurred in the activity, as well as the processes, structure and organisation of risk management.

The Group has been following and implementing the recommendations of Basel Committee in what's concerned the new prudential legislation, usually designated by Basel III, referencing the implementation of the Regulation no. 575/2013 of European Parliament, namely the one who refers to liquidity levels, own funds evaluation and calculation of capital requirements. CEMG participated regularly on Quantitative Impact Studies (QIS) of Basel III, as well in CRR/CRD IV impact studies developed by Bank of Portugal according to the guidance of the European Bank Association (EBA), what made possible anticipate the impacts derived by the adoption of the new regulatory standards, whether on the liquidity level or prudential capital level. The referred documents relative to the new regulatory standards of Basel III were already partially transposed to the national legislation, being the first official report made with reference at March 2014, in accordance with the new rules, and after in the following trimesters.

Main types of risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Property – Property risk results from possible negative impacts on profit and loss, or at the CEMG's capital level, due to market prices fluctuation on real property.

Operational – Operational risk is the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal organization

The Executive Board of Directors is responsible for risk management strategy and policies, and is advised by the Risk Analysis and Management Division in these fields, that undertake the analysis and the risk management from the standpoint of the Group, includes the coordination of the Risk Committee and Internal Control and reporting the level of the Asset and Liability Committee («ALCO») and the Committee on Internal Control.

The Internal Auditing function is ensured by *Direcção de Auditoria Interna e Inspeção* and integrates the internal control monitorisation process, through the execution of complementary independent evaluations over the performance of controls, identifying deficiencies and recommendations and submitting its conclusions to the Executive Board of Directors.

Direcção de Auditoria Interna e Inspeção is also responsible for performing audits to the Risk Management processes, according with the guidance provided by the supervision entities, including the independent review of risk assessment internal models (Independent Review Function) and to calculate the equity minimum requirements for risk hedging. Based in the results obtained from the audits, measures are recommended and their implementation is followed in order to ensure that necessary measures are taken and managed properly.

The compliance function is performed by the Compliance Office that reports directly to the Executive Board of Directors, and has the main goal of managing the compliance risk which is the risk of incurring in legal or regulatory sanctions, financial or reputation loss as a consequence of non-compliance with laws, regulations, conduct code and good banking practices.

The compliance risk is mitigated encouraging a culture of compliance, fostering the respect of group's entities and their employees by the framework applicable through an independent intervention together, with all organic units.

It is part of compliance's functions to define the procedures and mechanisms of compliance control, and their monitoring, reporting immediately to the Executive Board of Directors information about any possible violation of statutory obligations, rules of conduct and client relationship or other duties that can lead the institution or the employees in penalties.

Depending on the nature and severity of the risk, plans, programs or actions shall be drawn up, supported by information systems, and procedures shall be devised that provide a high degree or reliability as to the risk management measures defined whenever necessary.

Risk evaluation

Credit Risk - Retail

Credit risk models play a significant role in credit decision process. Indeed, the decision process concerning the credit portfolio depends on a group of policies based on scoring models developed to individual and business clients and the rating for the corporate sector.

Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants' behaviour. In order to support commercial strategies reactive scoring models are also used, namely in the main individual credit portfolios, such as mortgage and individual loans, distinguishing between customers and non-customers (or new customers). In the case of credit cards, the correspondent reactive scoring model is being reviewed. Additionally, in the individual credit portfolios, commercial performance and credit risk analysis are complementary supported by behaviour scorings.

In regards to corporate credit internal rating models are used to medium and large companies, with a clear distinction between the construction sector and third sector from the other activity sectors, while for customers “*Empresários em nome individual*” and micro business in the scoring model business is used.

The Group’s credit risk exposure can be analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Deposits with other credit institutions	222 262	217 043
Deposits with banks	348 364	546 162
Loans and advances to customers	14 920 155	15 226 223
Financial assets held for trading	71 410	80 466
Available-for-sale financial assets	2 971 324	3 136 057
Hedging derivatives	32	60
Held-to-maturity instruments	151 562	120 101
Investments in associated companies and others	20 749	24 650
Other assets	339 374	257 343
Guarantees granted	499 811	487 896
Documentary credits	63 922	46 451
Irrevocable commitments	642 306	653 777
	20 251 271	20 796 229

The analysis of the risk exposure by sector of activity, as at the period ended in 30 June 2015, can be analysed as follows:

(Thousands of Euro)

Activity sector	Jun 2015						
	Loans and advances to customers		Financial assets held for trading	Available-for-sale financial assets		Held-to-maturity investments	Guarantees granted
	Gross amount	Impairment	Book value	Gross amount	Impairment	Book value	Book value
Agriculture	186 322	(6 561)	-	-	-	-	2 999
Mining	20 599	(3 088)	-	2 314	-	-	1 647
Food, beverage and tobacco	225 104	(18 589)	-	10 524	-	-	2 984
Textiles	103 642	(14 356)	-	-	-	-	1 445
Shoes	43 862	(3 799)	-	-	-	-	122
Wood and cork	51 891	(11 617)	-	-	-	-	1 128
Printing and publishing	111 058	(10 877)	-	-	-	-	418
Petroleum refining	86	(28)	-	98 382	-	-	-
Chemicals and rubber	140 911	(12 160)	-	-	-	-	6 728
Non-metallic minerals	74 668	(4 149)	-	-	-	-	2 638
Basis metallurgic industries and metallic products	169 425	(19 955)	-	63 995	-	-	10 156
Production of machinery	48 920	(2 984)	-	-	-	-	919
Production of transport material	38 809	(1 688)	-	2 233	-	-	772
Other transforming industries	57 236	(5 731)	-	67 153	-	-	2 173
Electricity, gas and water	140 590	(1 068)	-	330 468	-	-	1 103
Construction	1 547 644	(378 058)	-	21 273	(997)	-	210 453
Wholesale and retail	1 384 068	(171 707)	-	6 282	-	-	72 199
Tourism	436 399	(24 896)	-	-	-	-	39 074
Transports	494 903	(108 630)	-	30 070	-	-	9 216
Communications and information activities	81 089	(6 976)	-	45 778	-	-	4 586
Financial activities	1 033 165	(172 152)	28 438	177 298	(9 880)	-	99 299
Real estate activities	789 262	(174 273)	-	521	-	-	20 201
Service provided to companies	589 886	(45 327)	514	2 978	-	151 562	10 817
Public services	141 330	(2 802)	42 458	1 941 181	(11 172)	-	655
Other activities of collective services	508 471	(22 660)	-	-	-	-	9 002
Mortgage loans	7 733 521	(108 118)	-	51 638	(19 191)	-	5 707
Others	212 904	(113 361)	-	160 477	-	-	20 724
Total	16 365 765	(1 445 610)	71 410	3 012 565	(41 240)	151 562	537 165

The analysis of the risk exposure by sector of activity, in 2014, can be analysed as follows:

(Thousands of Euro)

Activity sector	Dec 2014						
	Loans and avances to customers		Financial assets held for trading	Available-for-sale financial assets		Held-to-maturity investments	Guarantees granted
	Gross amount	Impairment	Book value	Gross amount	Impairment	Book value	Book value
Agriculture	160 171	(5 894)	-	-	-	-	3 187
Mining	40 079	(3 434)	-	8 215	-	-	1 750
Food, beverage and tobacco	232 596	(17 005)	-	13 014	-	-	3 601
Textiles	92 998	(13 006)	-	-	-	-	1 782
Shoes	38 882	(3 509)	-	-	-	-	485
Wood and cork	51 292	(13 127)	-	-	-	-	1 176
Printing and publishing	95 361	(9 839)	-	-	-	-	521
Petroleum refining	92	(23)	-	72 937	-	-	-
Chemicals and rubber	131 828	(10 784)	-	389	-	-	4 286
Non-metallic minerals	62 867	(3 589)	-	-	-	-	2 584
Basis metallurgic industries and metallic products	165 372	(18 351)	-	63 886	-	-	11 194
Production of machinery	46 586	(2 833)	-	-	-	-	3 206
Production of transport material	36 156	(1 912)	-	2 212	-	-	677
Other transforming industries	51 652	(5 188)	-	92 563	-	-	2 777
Electricity, gas and water	138 180	(3 300)	-	328 486	(998)	-	1 080
Construction	1 679 003	(375 890)	-	21 274	-	-	220 026
Wholesale and retail	1 299 483	(160 170)	115	5 311	-	-	80 934
Tourism	420 241	(23 942)	-	543	-	-	37 274
Transports	491 180	(87 676)	-	59 391	-	-	15 386
Communication and information activities	71 842	(7 022)	-	65 210	(8 778)	-	2 078
Financial activities	1 178 627	(137 943)	-	310 576	-	-	70 840
Real estate activities	776 869	(159 717)	74 509	541	-	-	19 293
Services provided to companies	640 119	(76 732)	-	-	(8 834)	-	11 557
Public services	142 506	(2 701)	533	1 950 893	-	120 101	23
Other activities of collective services	524 399	(21 596)	-	-	(19 190)	-	13 806
Mortgage loans	7 763 579	(219 102)	-	42 953	-	-	-
Others	280 135	(1 587)	-	135 464	-	-	24 824
Total	16 612 095	(1 385 872)	75 157	3 173 858	(37 800)	120 101	534 347

During 2014, credit default swaps in portfolio were settled, by the maturity of several deals, with the buying and selling of credit protection to be settled at Euro 9,000 thousands. As at June 2015 the CEMG did not have credit default swaps.

In terms of credit quality, there was a raise in the average level of counterparties associated to the improvement of Portuguese public debt rating, mitigated by increases the exposure to sovereign Italy and Spain with a higher credit quality, when comparing to Portugal.

Overall Risks and Financial Assets

Efficient balance sheet management also involves the Assets and Liabilities Committee («ALCO»), which examines interest rate, liquidity and exchange rate risks, namely as regards compliance with the limits set for the static and dynamic gaps calculated.

Normally the static interest rate and liquidity gaps are positive and moderate in size, with exception of those months when payments are made relating to bond issue debt service. As for exchange rate risk, the resources obtained in different currencies are hedged as assets in the respective monetary market and for periods not exceeding those of the resources, which means any exchange rate gaps result mainly from possible unadjustments between the hedge and resource deadlines.

Concerning risk information and analysis, regular reports are provided on the credit and market risks on the company's financial assets and those of the other members of the Group. For the company's own portfolio, the various risk limits are defined using the Value-at-Risk («VaR») method. There are different exposure limits such as global «VaR» limits, by issuer, by asset type/class and rating. There are also limits of Stop Loss. Investment portfolio is mainly concentrated in bonds which as at the first semester of 2015 represented 85.4% (31 December 2014: 87.4%) of the total's portfolio.

The Group continuously calculates its own portfolios «VaR», given a 10-day horizon and a 99% confidence interval, by the method of historical simulation.

The following table presents the main indicators of these measures, as at 30 June 2015 and the year ended as at 31 December 2014:

(Thousands of Euro)

	Jun 2015				Dec 2014			
	June	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
<i>Interest Rate Gap</i>	(2485 968)	(2485 968)	(2485 968)	(2485 968)	(1 713 766)	(1 443 074)	(1 172 382)	(1 713 766)

Following the recommendations of Basel II (Pillar II) and Instruction no. 19/2005, of the Bank of Portugal, the Group calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlements («BIS») which requires the classification of non-trading balances and off balance positions by repricing intervals.

(Thousands of Euro)

	Within 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
30 June 2015					
Assets	10 613 012	3 997 769	440 034	1 599 392	1 483 758
Off balance sheet	8 425 127	85 035	90 350	173 907	-
Total	19 038 139	4 082 804	530 384	1 773 299	1 483 758
Liabilities	6 118 157	1 824 673	2 920 300	9 440 082	316 720
Off balance sheet	8 303 232	351 562	3 000	116 626	-
Total	14 421 389	2 176 235	2 923 300	9 556 708	316 720
GAP (Assets - Liabilities)	4 616 750	1 906 569	(2 392 916)	(7 783 409)	1 167 038
31 December 2014					
Assets	11 045 039	4 347 071	351 745	1 698 022	1 212 165
Off balance sheet	8 715 156	118 047	68 916	152 487	-
Total	19 760 195	4 465 118	420 661	1 850 509	1 212 165
Liabilities	7 201 236	2 211 721	2 732 466	8 105 408	116 975
Off balance sheet	8 530 961	196 895	220 000	106 750	-
Total	15 732 197	2 408 616	2 952 466	8 212 158	116 975
GAP (Assets - Liabilities)	4 027 998	2 056 502	(2 531 805)	(6 361 649)	1 095 190

Sensitivity analysis

As at 30 June 2015, based on the interest rate gaps observed, an instantaneous positive variation in the interest rates by 100 bp would cause an increase in the income statement in Euro 44,542 thousands (31 December 2014: Euro 40,398 thousands).

The following table presents the average interests, in relation to the Group major assets and liabilities categories for the period ended at 30 June 2015 and the year ended at 31 December 2014, as well as the average balances and income and expense for the period:

(Thousands of Euro)

Products	Jun 2015			Dec 2014		
	Average balance of the period	Average interest rate (%)	Income / Expenses	Average balance for the year	Average interest rate (%)	Income / Expenses
Assets						
Loans and advances to customers	16 455 276	1,56	256 785	16 652 739	3,66	610 016
Deposits	158 022	0,02	25	186 215	0,09	167
Securities portfolio	3 620 909	1,13	40 927	3 725 183	5,13	191 248
Interbank loans and advances	367 916	1,12	4 126	426 469	1,02	4 336
Swaps	-	-	44 686	-	-	104 337
Total Assets	20 602 123		346 549	20 990 606		910 104
Liabilities						
Deposits from customers	13 825 062	0,90	124 416	14 019 468	2,26	316 299
Securities deposits	2 676 766	1,57	42 153	3 006 915	4,69	141 162
Interbank deposits	3 904 465	0,19	7 558	3 353 283	0,30	10 030
Other liabilities	1 429	0,00	-	731	0,55	4
Swaps	-	-	46 074	-	-	106 103
Total Liabilities	20 407 722		220 201	20 380 397		573 598

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 30 June 2015 is analysed as follows:

	Jun 2015							Total amount
	Euro	United States Dollar	Angolan Kwanza	Metical Mozambican	Sterling Pound	Brazilian Real	Other foreign currencies	
Assets by currency								
Cash and deposits at central banks	342 701	8 204	-	4 737	1 331	284	2 802	360 059
Loans and advances to credit institutions repayable on demand	92 966	32 079	93 374	566	872	-	2 405	222 262
Loans and advances to credit institutions repayable	201 572	100 479	-	3 196	7 364	-	35 753	348 364
Loans and advances to customers	14 472 542	138 130	275 729	33 052	-	-	702	14 920 155
Financial assets held-for-trading	74 849	4 540	-	-	-	-	-	79 389
Available-for-sale financial assets	3 414 465	1 204	-	12 833	138	66 199	946	3 495 785
Hedging derivatives	32	-	-	-	-	-	-	32
Held to maturity investments	15 843	117 905	17 814	-	-	-	-	151 562
Investment in associated companies and others	20 749	-	-	-	-	-	-	20 749
Non-current assets held for sale	852 972	-	-	604	-	-	-	853 576
Investment properties	740 145	-	-	-	-	-	-	740 145
Other tangible assets	46 680	-	45 066	865	-	-	-	92 611
Intangible assets	66 604	-	-	1 194	-	-	-	67 798
Current tax assets	4 895	-	-	383	-	-	-	5 278
Deferred tax assets	417 195	-	-	-	-	-	-	417 195
Other assets	356 960	9 270	5 091	353	5	-	205	371 885
Total Assets	21 121 170	411 811	437 074	57 783	9 710	66 483	42 813	22 146 845
Liabilities by currency								
Deposits from central banks	2 776 576	-	-	815	-	-	-	2 777 391
Deposits from other credit institutions	1 980 577	106 583	-	12 091	7 602	-	36 268	2 143 121
Deposits from customers	12 478 817	228 155	373 162	24 329	16 256	-	49 942	13 170 661
Debt securities issued	1 729 752	52 257	-	-	-	-	-	1 782 009
Financial liabilities associated to transferred assets	124 170	-	-	-	-	-	-	124 170
Financial liabilities held for trading	43 744	2 054	-	-	-	-	-	45 798
Hedging derivatives	1 119	-	-	-	-	-	-	1 119
Non-current liabilities available for sale	77	-	-	-	-	-	-	77
Provisions	13 277	-	648	321	-	-	-	14 246
Current tax liabilities	1 564	-	-	-	-	-	-	1 564
Other subordinated debt	304 047	27 444	-	-	-	-	-	331 491
Other liabilities	248 847	3 864	8 866	1 498	305	-	1 517	264 897
Total Liabilities	19 702 567	420 357	382 676	39 054	24 163	-	87 727	20 656 544
Exchange forward transactions	(57 618)	(4 001)	-	-	14 093	-	47 387	(139)
Exchange Gap		(12 546)	54 398	18 731	(359)	66 483	2 473	
Stress Test		(2 509)	10 880	3 746	(72)	13 297		

The stress test performed corresponds to estimate the impact of a 20% change in exchange rate of each currency against Euro. Values presented corresponds to the potential impact (before tax) in equity including minority interests.

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2014 is analysed as follows:

	(Thousands of Euro)						Total amount
	Dec 2014						
	Euro	United States Dollar	Angolan Kwanza	Sterling Pound	Brazilian Real	Other foreign currencies	
Assets by currency							
Cash and deposits at central banks	265 531	13 073	-	1 154	516	4 538	284 812
Loans and advances to credit institutions repayable on demand	129 226	29 694	56 435	329	-	1 359	217 043
Loans and advances to credit institutions	229 815	192 023	80 639	7 414	-	36 272	546 163
Loans and advances to customers	14 836 286	138 060	252 316	-	-	824	15 227 486
Financial assets held for trading	52 849	33 733	-	-	-	-	86 582
Available-for-sale financial assets	3 585 673	3 175	-	34	-	793	3 589 675
Hedging derivatives	60	-	-	-	-	-	60
Held-to-maturity investments	16 091	104 011	-	-	-	-	120 102
Investments in associated companies and others	24 636	-	-	-	-	-	24 636
Non-current assets held for sale	799 739	-	-	-	-	-	799 739
Investment properties	715 737	-	-	-	-	-	715 737
Other tangible assets	52 575	-	46 356	-	-	-	98 931
Intangible assets	66 054	-	-	-	-	-	66 054
Current tax assets	2 664	-	-	-	-	-	2 664
Deferred tax assets	355 881	-	-	-	-	-	355 881
Other assets	329 252	4 366	4 285	8	-	1	337 912
Total Assets	21 462 069	518 135	440 031	8 939	516	43 787	22 473 477
Liabilities by currency							
Deposits from central banks	2 496 886	-	-	-	-	-	2 496 886
Deposits from other credit institutions	931 258	94 574	-	7 708	-	36 616	1 070 156
Deposits from customers	13 634 610	250 361	362 485	16 087	-	51 116	14 314 659
Debt securities issued	2 097 928	48 597	-	-	-	-	2 146 525
Financial liabilities associated to transferred assets	163 650	-	-	-	-	-	163 650
Financial liabilities held for trading	54 477	30 815	-	-	-	-	85 292
Hedging derivatives	1 494	-	-	-	-	-	1 494
Provisions	19 558	-	771	-	-	-	20 329
Current tax liabilities	16 962	-	-	-	-	-	16 962
Other subordinated debt	348 095	25 185	(1)	-	-	-	373 279
Other liabilities	354 950	4 226	8 004	965	-	1 573	369 718
Total liabilities	20 119 868	453 758	371 259	24 760	-	89 305	21 058 950
Exchange forward transactions	16 444	(81 319)	-	15 991	-	47 212	(1 672)
Exchange Gap		(16 943)	68 771	170	516	1 695	

Real Estate Risk

The real estate risk results from exposure in real estate (whether from credit recovery processes, whether investment properties) as well as real estate fund units held in securities portfolio. These exposures are regularly monitored and scenario analyses are performed on a regular basis that attempt to estimate potential impacts of changes in real estate in portfolios of real estate funds, investment real estate and real estate given in exchange.

As at 30 June 2015 and 31 December 2014, exposure to real estate and investments real estate fund units presented the following value:

	Jun 2015	Dec 2014
Real estate properties received as a recovery of loans	853 576	799 739
Investment properties	740 145	715 737
Real Estate Investment Funds	206 281	205 861
	1 800 002	1 721 337
<i>Stress test</i>	180 000	172 134

Stress test performed corresponds to estimate the impact of a 10% variation in values of real estate and real estate funds. Values presented to the potential impact (before tax) in equity.

Liquidity Risk

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. Liquidity risk is monitored carefully, and several reports are prepared for the purpose of prudential regulation and monitoring in place of ALCO Committee.

In addition, it is also carried out a follow-up of liquidity positions of a prudential point of view, calculated in the manner required by the Bank of Portugal (Instruction no. 13/2009 of 15 September), also the accomplishment level of the prudential ratios of liquidity, *Liquidity Coverage Ratio* (LCR) and *Net Stable Funding Ratio* (NSFR), introduced with the entry into force of CRD IV as at 2014.

As at 30 June 2015, the total collateral value in the European Central Bank amounted to Euro 3,977,299 thousands (31 December 2014: Euro 4,202,365 thousands) with a use of Euro 2,775,900 thousands (31 December 2014: Euro 2,475,990 thousands).

Operational Risk

The Group has implanted an integrated continued business plan, which allows to ensure the continuity of the operations in a case of a rupture in the activity.

DRI has the corporate function of operational risk management which is supported by the existence of responsible employees in the different organic units that ensure the proper implementation of Group's operational risk management.

Capital Management and Solvency Ratio

In prudential matters, the Group is subject to the Bank of Portugal supervision that, under the capital adequacy Directive from the CE (2013/36/UE), establishes the rules to be attended by the institutions under its supervision. These rules determine minimum solvency ratios of Own Funds Core of level 1, own fund of level 1 and the total own funds related with the risk-weighted assets that institutions have to fulfil. Since 2014, prudential rules are based in the new Basel III according to the Instruction no. 575/2013 of the European Parliament.

According to the prudential rule of Basel III, Group's Own Funds of Level 1 or Common Equity Tier 1 (CET1), Own Funds of Level 1 or Tier 1 (T1) and Own Funds of Level 2 or Tier 2 (T2), with the following composition:

- **Own Funds Core of Level 1 or Common Equity Tier 1 (CET1):** this category includes the realised statutory capital, eligible reserves (including fair value reserves), accumulated results, results retained from the period when positives and certified or by its fullness if negatives. It is deducted the balance value of the amounts relative to goodwill, other intangible assets, unrealised gains in financial liabilities evaluated by its fair value through the results that represent own credit risk, negative actuarial deviations derived from responsibilities with post-employment benefits to employees (already included in accumulated results), as well the gap, if positive, between the asset and the pension fund responsibilities. Financial investments on financial sector entities and deferred tax assets have a different treatment, comparing to Basel II, on the new Basel III regulations. The values in these accounts are deducted when, individually, overcome 10% of CET1, or posteriorly 17.65% of CET1 when considered as aggregated (only on the non-deducted part on the first barrier of 10% and considering only significant participations). Non-deducted values will be subject to weight of 250% for the fullness of risk-weighted assets. Regarding investments in financial institutions, the eventual deduction is proportionally realised on the respective held capital levels. Between the implementation of this new prudential regulation in 2014 and 2018, a transitory period will be in force that will allow to gradually acknowledge the majors impacts of this new regulation. Emphasis for the transitory plan applied to deferred tax

assets and negative actuarial deviations of the pensions fund that allow to acknowledge 20%/year of the eventual negative effects caused by the new standards. Fair value reserves will also be subjects to a transitory plan of 20%/year, being however excluded from this plan the fair value reserves related to risk positions over Central Administrations. This exclusion will end after the adoption, by the European Committee, of a regulation based on Regulation (CE) no. 1606/2002 that approves the International Financial Report Standard that will replace IAS 39.

- **Own Funds of Level 1 or Tier 1 (T1):** includes capital equivalent instruments, whose conditions are in accordance with the article 52º from Regulation no.575/2013 and approved by the Bank of Portugal. The eventual detentions of capital T1 from financial institutions subjected to deduction are deducted from this capital.
- **Own Funds of Level 2 or Tier 2 (T2):** includes capital equivalents instruments, whose conditions are in accordance with the article 63º from Regulation no.575/2013 and approved by the Bank of Portugal. The eventual detentions of capital T2 from financial institutions subjected to deduction are deducted from this capital.

The Totals Own Funds or Total Capital are constituted by the sum of the three levels previous referred.

As previously referred, until 2018 the effects of Basel III's new regulation will gradually being introduced. This process is usually named as Phasing-in. The full assumption of the new regulation, without considering transitory plans, is named as Full Implementation. Phasing-in is actually in process, being verified in this base if determined entity have the amount of own funds superior to the minimum requirement, and properly certifying its capital adequation. This relation is reflected on the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (formerly designated by solvability ratio, represented by the percentage of capital level correspondent to the amount of 12.5 times the own funds requirements). For these ratios, the regulatory minimums are indicated by the Bank of Portugal for 2014 are 7% for CET1 and 8% for Total Capital.

The resume of the calculation for the CEMG's capital requirements at 30 June 2015 and 31 December 2014, is presented as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Capital Common Equity Tier 1		
Paid up capital	1 900 000	1 700 000
Net profit, General reserves Special reserves and Retained earnings	(419 850)	(392 666)
Other regulatory adjustments	(44 338)	(22 104)
	1 435 812	1 285 230
Capital Tier 1		
Other equity instruments	4 964	6 618
Regulatory adjustments	(4 964)	(6 618)
	1 435 812	1 285 230
Capital Tier 2		
<i>Subordinated Loans</i>	171 028	32 826
Regulatory adjustments	(6 949)	(8 940)
	164 079	23 886
Total Own funds	1 599 891	1 309 116
Own funds requirements		
Credit risk	1 092 924	1 106 711
Market risk	13 782	6 438
Operational risk	65 632	65 632
Other requirements	32 902	29 619
	1 205 240	1 208 400
Prutential ratios		
Common Equity Tier 1 ratio	9,53%	8,51%
Tier 1 ratio	9,53%	8,51%
Total Equity ratio	10,62%	8,67%

57 Sovereign debt of European Union countries subject to *bailout*

As at 30 June 2015, the exposure of the CEMG to sovereign debt of European Union countries subject to bailout is presented as follows:

(Thousands of Euro)

Jun 2015							
Issuer / Portfolio	Book value	Fair value	Fair value reserve	Impairment	Average interest rate	Average maturity Years	Valuation level
Portugal							
Financial assets held for trading	22 198	22 198	-	-	4,07%	8,51	1
Available-for-sale financial assets	1 672 360	1 672 360	(37 779)	-	4,60%	4,29	1
Held-to-maturity investments	6 346	6 467	-	-	3,35%	0,29	n.a.
	<u>1 700 904</u>	<u>1 701 025</u>	<u>(37 779)</u>	<u>-</u>			
Greece							
Available-for-sale financial assets	7 068	7 068	-	(11 172)	1,89%	22,66	1
	<u>1 707 972</u>	<u>1 708 093</u>	<u>(37 779)</u>	<u>(11 172)</u>			

The securities value includes the respective accrued interests.

As at 31 December 2014, the exposure of the CEMG to sovereign debt of European Union countries subject to bailout is presented as follows:

(Thousands of Euro)

Dec 2014							
Issuer / Portfolio	Book value	Fair value	Fair value reserve	Impairment	Average interest rate	Average maturity Years	Valuation level
Portugal							
Available-for-sale financial assets	1 645 832	1 645 832	48 946	-	4,83	3,64	1
Held to maturity investments	6 209	6 359	-	-	3,35	0,79	n.a.
	<u>1 652 041</u>	<u>1 652 191</u>	<u>48 946</u>	<u>-</u>			
Greece (*)							
Available-for-sale financial assets	9 525	9 525	-	(8 834)	1,26	23,16	1
	<u>1 661 566</u>	<u>1 661 716</u>	<u>48 946</u>	<u>(8 834)</u>			

On May 2014, the validity period of the Adjustment Program accorded in 2011 between the Portuguese Government and Troika (European Central Bank, International Monetary Fund and European Commission) has ended, and Portugal left since that date the bailout situation.

58 Transfer of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a proactive management through the implementation of plans to explore/increase the value of the companies/assets.

The financial assets sold under these transactions are derecognised from the balance sheet of the Group, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the Fund.

The funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities:

- determine the objective of the Fund;
- manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which the Group holds minority positions) establish companies under the Portuguese law in order to acquire the loans to the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds fully subscribed by the funds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the sale value.

These junior bonds, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus its related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions that occurred, the Group subscribed:

- Participation units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Group has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end;
- Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

	(Thousands of Euro)					
	Up to Jun 2015			Up to Dec 2014		
	Amounts related with the conceded assets			Amounts related with the conceded assets		
	Net assets conceded	Received amount	Net gains / (losses) as a result of the transfer	Net assets conceded	Received amount	Net gains / (losses) as a result of the transfer
Vallis Construction Sector Fund	18 794	20 889	2 095	18 794	20 889	2 095
Fundo de Reestruturação Empresarial, FCR	25 655	25 777	122	25 655	25 777	122
Discovery Portugal Real Estate Fund	13 698	15 415	1 717	13 698	15 415	1 717
Fundo Aquarius, FCR	13 060	13 485	425	13 060	13 485	425
	71 207	75 566	4 359	71 207	75 566	4 359

(Thousands of Euro)

Jun 2015					
	Senior securities	Junior securities	Total	Impairment	Net amount
Vallis Construction Sector Fund	16 620	6 153	22 773	(6 153)	16 620
Fundo de Reestruturação Empresarial, FCR	46 485	-	46 485	(255)	46 230
Discovery Portugal Real Estate Fund	12 618	-	12 618	-	12 618
Fundo Aquarius, FCR	13 597	-	13 597	-	13 597
	<u>89 320</u>	<u>6 153</u>	<u>95 473</u>	<u>(6 408)</u>	<u>89 065</u>

(Thousands of Euro)

Dec 2014					
	Senior securities	Junior securities	Total	Impairment	Net amount
Vallis Construction Sector Fund	16 441	6 153	22 594	(6 153)	16 441
Fundo de Reestruturação Empresarial, FCR	46 260	-	46 260	(219)	46 041
Discovery Portugal Real Estate Fund	12 157	-	12 157	-	12 157
Fundo Aquarius, FCR	13 517	-	13 517	-	13 517
	<u>88 375</u>	<u>6 153</u>	<u>94 528</u>	<u>(6 372)</u>	<u>88 156</u>

As at 30 June 2015 and 31 December 2014, the net assets disposed amounted to Euro 71,207 thousands.

As at 30 June 2015 and 31 December 2014, the junior securities refer to investment units on the amount of Euro 6,153 thousands, as described in note 24.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for, in accordance with note 15.

Although the junior bonds are fully provided, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

59 Subsidiary companies

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

Subsidiary company	Head of Office	Share Capital	Currency	Activity	Group		Bank
					% of control	% de part. efectiva	% de part. directa
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	Praia	8 996 000	Euro	Banking	100.00%	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Porto	175 000 000	Euro	Holding company	100.00%	100.00%	100.00%
Montepio Investimento, S.A.	Porto	180 000 000	Euro	Banking	100.00%	100.00%	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Porto	30 000 000	Euro	Finance lase	100.00%	100.00%	-
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	Porto	1 550 000	Euro	Investment fund management	100.00%	100.00%	-
Montepio Recuperação de Crédito, ACE	Lisboa	-	-	Services	93.00%	93.00%	93.00%
Finibanco Angola, S.A.	Luanda	4 182 000 000	Kwanza	Banking	81.57%	81.57%	-
Banco Terra, S.A.	Maputo	2 086 458 998	Metical	Banking	44.54%	44.54%	-
Montepio Capital de Risco, S.C.R., S.A.	Lisboa	250 000	Euro	Venture capital fund management	100.00%	100.00%	-

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

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

The presented percentage reflects the economic interest of the Group.

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

Subsidiary Company	Establishment year	Acquisition year	Head of Office	% of controlling interest	Consolidation method
<i>Pelican Mortgages No. 1 PLC</i>	2002	2002	Dublin	100%	Full
<i>Pelican Mortgages No. 2 PLC</i>	2003	2003	Dublin	100%	Full
Finipredial - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisboa	79.47%	Full
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisboa	100%	Full
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisboa	100%	Full
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisboa	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisboa	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisboa	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisboa	100%	Full
Fundo de Capital de Risco Montepio Crescimento (FCR)	2015	2015	Lisboa	100%	Full

60 Subsidiaries acquisition

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

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

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

The Group recorded goodwill in the amount of Euro 3,280 thousands with the *Banco Terra*, S.A. acquisition, according with note 32. This goodwill, mainly results from the expected synergies arising from the Group's internationalization strategy.

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

61 Subsidiaries disposals

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

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

The realisation of regulatory and legal compliance required for the completion of this disposal is currently ongoing.

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

62 Subsequent events

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



**KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.**
Edifício Monumental
Av. Praia da Vitória, 71 - A, 11º
1069-006 Lisboa
Portugal

Telephone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

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

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

- 1** In accordance with the requirements of “Código dos Valores Mobiliários” (CVM), we hereby present our Limited Review Report, on the interim consolidated financial information for the six months period ended 30 June 2015, of **Caixa Económica Montepio Geral**, which includes the consolidated statement of financial position (which shows a total of Euro 22,146,845 thousands and total equity attributable to equity and participation fund holders of Euro 1,466,707 thousands, including a consolidated net loss attributable to equity and participation fund holders of 28,909 thousands of Euro) and the consolidated statement of income, comprehensive income, changes in equity and cash flows, for the six months period then ended and in the corresponding notes to the financial statements.
- 2** The amounts included in the consolidated financial statements and in the additional financial information were extracted from the accounting records.

Responsibilities

- 3** The Executive Board of Directors is responsible for:
 - a) the preparation of consolidated financial information that present fairly the financial position of all the group companies included in the consolidation, the consolidated result of its operations, the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows;
 - b) the historical financial information prepared in accordance with the IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by the Stock Exchange Code (‘CVM’);
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant matter that may have influenced the activity, financial position or results.

- 4 Our responsibility is to verify the consolidated financial information included in the above mentioned documents, namely if it is complete, true, current, clear, objective and lawful as required by the CVM, in order to issue a professional and independent report based on our work.

Scope

- 5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the “Ordem dos Revisores Oficiais de Contas”, and planned in accordance with that objective and included the following procedures:
 - a) mainly, inquiries and analytical procedures performed to review:
 - the reliability of the assertions included in the consolidated financial information;
 - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
 - the application, or not, of the going concern principle;
 - the presentation of the consolidated financial information;
 - if the consolidated financial information is complete, true, current, clear, objective and lawful; and
 - b) substantive tests on material non usual significant transactions.
- 6 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the remaining above mentioned documents.
- 7 We believe that our work provides a reasonable basis to issue our report on the interim consolidated financial information.



Conclusion

- 8** Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the interim consolidated financial information as at 30 June 2015, is not free of material misstatements that affect its compliance with IAS 34 - Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 31 August 2015

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)
Represented by
Jean-éric Gaign (ROC no. 1013)

7.2. Individual Financial Statements

INDIVIDUAL BALANCE SHEET AS AT 30 JUNE 2015 AND 31 DECEMBER 2014

(thousand euros)

	2015			2014
	Gross Assets	Impairments and Amortisation	Net Assets	Net Assets
ASSETS				
Cash and deposits at central banks	263,689	-	263,689	203,338
Deposits at other credit institutions	58,886	-	58,886	54,868
Financial assets held for trading	81,006	-	81,006	83,553
Financial assets available for sale	8,626,280	88,728	8,537,552	7,391,496
Investments in credit institutions	539,498	651	538,847	780,988
Credit to customers	15,782,036	1,469,972	14,312,064	14,655,838
Investments held to maturity	17,651	-	17,651	17,333
Hedging derivatives	32	-	32	60
Non-current assets held for sale	970,495	137,571	832,924	779,504
Other tangible assets	192,345	158,129	34,214	36,924
Intangible assets	168,400	48,280	120,121	117,297
Investments in subsidiaries, associates and joint ventures	419,183	-	419,183	419,183
Deferred tax assets	402,533	-	402,533	342,393
Other assets	310,454	3,086	307,367	235,088
TOTAL ASSETS	27,832,486	1,906,417	25,926,069	25,117,863
LIABILITIES				
Resources from central banks			2,776,576	2,496,886
Financial liabilities held for trading			45,798	85,300
Resources from other credit institutions			2,675,823	1,638,075
Resources from customers and other resources			12,576,424	13,609,144
Debt securities issued			1,601,125	1,936,472
Financial liabilities associated to transferred assets			4,110,776	3,075,080
Hedging derivatives			1,119	1,494
Provisions			122,728	129,446
Current tax liabilities			-	12,026
Other subordinated liabilities			333,511	388,118
Other liabilities			174,956	279,460
TOTAL LIABILITIES			24,418,836	23,651,501
EQUITY				
Capital			1,900,000	1,700,000
Institutional Capital			1,500,000	1,500,000
Financial Holding			400,000	200,000
Other equity instruments			8,273	8,273
Revaluation reserves			-19,417	47,636
Other reserves and retained earnings			-291,252	-132,241
Net income for the period			-90,371	-157,306
TOTAL EQUITY			1,507,233	1,466,362
TOTAL LIABILITIES AND EQUITY			25,926,069	25,117,863

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

José Manuel Félix Morgado - CEO

João Carlos Martins da Cunha Neves

Luís Gabriel Moreira Maia Almeida

Fernando Ferreira Santo

João Belard da Fonseca Lopes Raimundo

Jorge Manuel Viana de Azevedo Pinto Bravo

Luís Miguel Resende de Jesus

INCOME STATEMENT AS AT 30 JUNE 2015 AND 2014

(thousand euros)

	2015	2014 Restated
Interest and similar income	336,625	438,585
Interest and similar costs	232,555	292,552
NET INTEREST INCOME	104,070	146,033
Income from equity instruments	1,594	1,311
Income from services, fees and commissions	62,454	60,555
Expenses related to services, fees and commissions	13,244	8,845
Gains arising from assets and liabilities at fair value through profit or loss	8,157	1,597
Gains arising from financial assets available for sale	75,150	253,077
Gains arising from currency revaluation	3,171	2,185
Gains arising from sale of other assets	-11,706	-8,641
Other operating income	13,842	5,047
OPERATING INCOME	243,488	452,319
Personnel expenses	91,573	88,561
General administrative overheads	48,880	49,244
Amortisation and depreciation for the year	11,805	12,214
Provisions net of adjustments	-6,718	882
Net adjustments for credit to customers and receivables from other debtors	195,207	267,387
Other financial asset impairments net of reversals and recoveries	21,458	25,800
Other asset impairments net of reversals and recoveries	7,527	-889
EARNINGS BEFORE TAXES	-126,244	9,120
Taxes	35,873	-7,348
PROFIT AFTER TAX	-90,371	1,772

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

José Manuel Félix Morgado - CEO

João Carlos Martins da Cunha Neves

Luís Gabriel Moreira Maia Almeida

Fernando Ferreira Santo

João Belard da Fonseca Lopes Raimundo

Jorge Manuel Viana de Azevedo Pinto Bravo

Luís Miguel Resende de Jesus

Caixa Económica Montepio Geral

Income Statement for the periods ended at 30 June 2015 and 2014

(Thousands of Euro)

	Notes	30 June 2015	30 June 2014 Restated
Interest and similar income	3	336 625	438 585
Interest and similar expense	3	232 555	292 552
Net interest income		104 070	146 033
Dividends from equity instruments	4	1 594	1 311
Fee and comission income	5	62 454	60 555
Fee and comission expense	5	(13 244)	(8 845)
Net gains / (losses) arising from financial assets and liabilities at fair value through profit or loss	6	8 157	1 597
Net gains/(losses) arising from available-for-sale financial assets	7	75 150	253 077
Net gains/ (losses) arising from foreign exchange differences	8	3 171	2 185
Net gains/ (losses) arising from sale of other financial assets	9	(11 706)	(8 641)
Other operating income / (expenses)	10	13 842	5 047
Total operating income		243 488	452 319
Staff costs	11	91 573	88 561
General and administrative expenses	12	48 880	49 244
Depreciation and amortisation	13	11 805	12 214
Total operating costs		152 258	150 019
Loans impairment	14	195 207	267 387
Other financial assets impairment	15	21 458	25 800
Other assets impairment	16	7 527	(889)
Other provisions	17	(6 718)	882
Operating profit		(126 244)	9 120
Tax			
Current	30	(6 668)	33 259
Deferred	30	(29 205)	(25 911)
Profit / (loss) for the period		(90 371)	1 772

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

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

(Thousands of Euro)

	Notes	30 June 2015	31 December 2014
Assets			
Cash and deposits at central banks	18	263 689	203 338
Loans and advances to credit institutions repayable on demand	19	58 886	54 868
Other loans and advances to credit institutions	20	538 847	780 988
Loans and advances to customers	21	14 312 064	14 655 838
Financial assets held for trading	22	81 006	83 553
Financial assets available for sale	23	8 537 552	7 391 496
Hedging derivatives	24	32	60
Held-to-maturity instruments	25	17 651	17 333
Investments in associated companies and other	26	419 183	419 183
Non-current assets held for sale	27	832 924	779 504
Property and equipment	28	34 214	36 924
Intangible assets	29	120 121	117 297
Deferred tax assets	30	402 533	342 393
Other assets	31	307 367	235 088
		<u>25 926 069</u>	<u>25 117 863</u>
Liabilities			
Deposits from central banks	32	2 776 576	2 496 886
Deposits from other financial institutions	33	2 675 823	1 638 075
Deposits from customers	34	12 576 424	13 609 144
Debt securities issued	35	1 601 125	1 936 472
Financial liabilities relating to transferred assets	36	4 110 776	3 075 080
Financial liabilities held for trading	22	45 798	85 300
Hedging derivatives	24	1 119	1 494
Provisions	37	122 728	129 446
Current tax liabilities		-	12 026
Other subordinated debt	38	333 511	388 118
Other liabilities	39	174 956	279 460
		<u>24 418 836</u>	<u>23 651 501</u>
Equity			
Institutional capital	40	1 500 000	1 500 000
Participation fund	41	400 000	200 000
Other equity instruments	42	8 273	8 273
Revaluation reserves	44	(19 417)	47 636
Other reserves and retained earnings	43 and 44	(291 252)	(132 241)
Profit / (loss) for the period		(90 371)	(157 306)
		<u>1 507 233</u>	<u>1 466 362</u>
		<u>25 926 069</u>	<u>25 117 863</u>

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Income Statement for the three months period between 01 April and 30 June 2015 and 2014

(Thousands of Euro)

	Notes	2° trimester 2015	2° trimester de 2014 Restated
Interest and similar income	3	167 144	215 678
Interest and similar expense	3	113 999	144 641
Net interest income		53 145	71 037
Dividends from equity instruments	4	1 593	1 277
Fee and comission income	5	31 637	31 447
Fee and comission expense	5	(7 394)	(4 618)
Net gains / (losses) arising from financial assets and liabilities at fair value through profit or loss	6	(3 001)	766
Net gains/(losses) arising from available-for-sale financial assets	7	10 541	48 171
Net gains/ (losses) arising from foreign exchange differences	8	1 278	1 382
Net gains/ (losses) arising from sale of other financial assets	9	(10 121)	(3 694)
Other operating income / (expenses)	10	9 376	8 954
Total operating income		87 054	154 722
Staff costs	11	45 760	45 853
General and administrative expenses	12	26 997	26 879
Depreciation and amortisation	13	5 669	5 910
Total operating costs		78 426	78 642
Loans impairment	14	129 512	89 775
Other financial assets impairment	15	18 069	9 830
Other assets impairment	16	4 484	(1 644)
Other provisions	17	(6 461)	520
Operating profit		(136 976)	(22 401)
Tax			
Current	31	(11 575)	13 759
Deferred	31	(30 722)	(16 854)
Profit / (loss) for the period		(94 679)	(19 306)

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Statement of Cash Flows for the periods ended at 30 June 2015 and 2014

(Thousands of Euro)

	<u>30 June 2015</u>	<u>30 June 2014</u>
Cash flows arising from operating activities		
Interest income received	349 064	414 126
Commissions income received	61 631	62 809
Interest expense paid	(275 855)	(259 960)
Commissions expense paid	(12 477)	(15 723)
Payments to employees and suppliers	(150 565)	(146 158)
Recoveries on loans previously written off	2 086	4 976
Other payments and receivables	(7 700)	158 271
Taxes	(5 358)	11 433
	<u>(39 174)</u>	<u>229 774</u>
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	376 504	(947 178)
Other assets	(143 075)	(60 753)
	<u>233 429</u>	<u>(1 007 931)</u>
(Increase) / decrease in operating liabilities		
Deposits from customers	(1 008 952)	138 591
Deposits from credit institutions	(1 437 418)	(2 780 262)
Deposits from central banks	2 775 990	1 990 000
	<u>329 620</u>	<u>(651 671)</u>
	<u>523 875</u>	<u>(1 429 828)</u>
Cash flows arising from investing activities		
Dividends received	1 594	1 311
(Acquisition) / sale of financial assets held for trading	1 770	(2 166)
(Acquisition) / sale of other financial assets at fair value through profit or loss	-	3 450
(Acquisition) / sale of available for sale financial assets	(1 266 828)	1 494 653
(Acquisition) / sale of hedging derivatives	(415)	328
(Acquisition) / sale of investments held to maturity	(63)	(50)
(Acquisition) / sale of shares in associated companies	-	(637)
Deposits owned with the purpose of monetary control	(58 501)	19 833
Acquisition of fixed assets	(11 783)	-
	<u>(1 334 226)</u>	<u>1 516 722</u>
Cash flows arising from financing activities		
Capital increase	200 000	-
Proceeds from issuance of bonds and subordinated debt	71 150	259 553
Reimbursement of bonds and subordinated debt	(448 933)	(381 571)
Increase / (decrease) in other sundry liabilities	994 002	(1 060)
	<u>816 219</u>	<u>(123 078)</u>
Net changes in cash and equivalents	<u>5 868</u>	<u>(36 184)</u>
Cash and equivalents balance at the beginning of the period	<u>227 127</u>	<u>239 491</u>
Net changes in cash and cash equivalents	<u>5 868</u>	<u>(36 184)</u>
Cash and equivalents balance at the end of the period	<u>232 995</u>	<u>203 307</u>
Cash and equivalents balance at the end of the period includes:		
Cash (note 18)	174 109	135 066
Loans and advances to credit institutions repayable on demand (note 19)	58 886	68 241
Total	<u>232 995</u>	<u>203 307</u>

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Statement of Changes in Equity for six months periods ended at 30 June 2015 and 2014

(Thousands of Euro)

	Total equity	Institutional Capital	Participation fund	Other equity instruments	General and special reserves	Other fair value reserves	Fair value reserves	Accumulated results
Balance on 31 December 2013	1700 006	1500 000	200 000	8 273	254 273	8 404	24 875	(295 819)
Other comprehensive income:								
Net amortization of deferred taxes of the pension transition adjustment (Regulation no. 12/01)	(1 900)	-	-	-	-	-	-	(1 900)
Actuarial gains/ (losses) for the period	24 559	-	-	-	-	-	-	24 559
Deferred taxes related to balance sheet changes accounted against reserves (note 30)	(1 509)	-	-	-	-	-	-	(1 509)
Changes in fair value (note 44)	69 007	-	-	-	-	-	69 007	-
Deferred taxes related with fair value changes (note 30)	(20 390)	-	-	-	-	-	(20 390)	-
Profit for the period	1 772	-	-	-	-	-	-	1 772
Total comprehensive income for the period	71 539	-	-	-	-	-	48 617	22 922
Balance on 30 June 2014	1771 545	1500 000	200 000	8 273	254 273	8 404	73 492	(272 897)
Other comprehensive income:								
Actuarial gains/ (losses) for the period	(106 207)	-	-	-	-	-	-	(106 207)
Deferred taxes related to balance sheet changes accounted against reserves (note 30)	(5 638)	-	-	-	-	-	-	(5 638)
Changes in fair value (note 44)	(44 462)	-	-	-	-	-	(44 462)	-
Deferred taxes related with fair value changes (note 30)	10 202	-	-	-	-	-	10 202	-
Profit for the period	(160 252)	-	-	-	-	-	-	(160 252)
Total comprehensive income for the period	(306 357)	-	-	-	-	-	(34 260)	(272 097)
Balance 31 December 2014	1465 188	1500 000	200 000	8 273	254 273	8 404	39 232	(544 994)
Other comprehensive income:								
Actuarial gains/ (losses) for the period	-	-	-	-	-	-	-	-
Deferred taxes related to balance sheet changes accounted against reserves (note 30)	(1 326)	-	-	-	-	-	-	(1 326)
Changes in fair value (note 44)	(99 314)	-	-	-	-	-	(99 314)	-
Deferred taxes related with fair value changes (note 30)	32 261	-	-	-	-	-	32 261	-
Profit for the period	(90 371)	-	-	-	-	-	-	(90 371)
Total comprehensive income for the period	(158 750)	-	-	-	-	-	(67 053)	(91 697)
Issue of participation units of the participation fund	200 000	-	200 000	-	-	-	-	-
Financial cost related to perpetual securities issued	(379)	-	-	-	-	-	-	(379)
Balance on 30 June 2015	1506 059	1500 000	400 000	8 273	254 273	8 404	(27 821)	(637 070)

Caixa Económica Montepio Geral

Statement of Comprehensive Income for the six months periods ended at 30 June 2015 and 2014

(Thousands of Euro)

	Notes	<u>30 June 2015</u>	<u>30 June 2014</u>
Items that may be reclassified into the Income Statement			
Fair value reserve			
Available-for-sale financial assets	44	(99 314)	69 007
Taxes	30 and 44	32 261	(20 390)
		<u>(67 053)</u>	<u>48 617</u>
Items that won't be reclassified into the Income Statement			
Actuarial gains/ (losses) for the period		-	24 559
Net amortization of deferred taxes of the pension transition adjustment (Regulation no. 12/01)		-	(1 900)
Deferred taxes	30	(1 326)	(1 509)
Financial cost related with perpetual securities issued		(379)	-
		<u>(1 705)</u>	<u>21 150</u>
Profit / (loss) for the period		<u>(90 371)</u>	<u>1 772</u>
Total other comprehensive income / (loss) for the period		<u><u>(159 129)</u></u>	<u><u>71 539</u></u>

Caixa Económica Montepio Geral

Statement of Comprehensive Income for the three months period between 01 April and 30 June 2015 and 2014

(Thousands of Euro)

	Notes	2° Trimester 2015	2° Trimester 2014
Items that may be reclassified into the Income Statement			
Fair value reserve			
Available-for-sale financial assets	44	97 759	5 931
Taxes	30 and 44	(28 839)	(1 700)
		<u>68 920</u>	<u>4 231</u>
Items that won't be reclassified into the Income Statement			
Actuarial gains/ (losses) for the period		4 905	(49 172)
Deferred taxes	31	1 326	754
		<u>6 231</u>	<u>(48 418)</u>
Profit / (loss) for the period		<u>(94 679)</u>	<u>(19 306)</u>
Total other comprehensive income / (loss) for the period		<u>(19 528)</u>	<u>(63 493)</u>

Caixa Económica Montepio Geral

Notes to the Interim Individual Financial Statements 30 June 2015

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.

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July 2002 and Regulation no. 1/2005 from Bank of Portugal, CEMG’s financial statements are required to be prepared in accordance with Adjusted Accounting Standards as established by Bank of Portugal that are composed by all the standards included in the International Financial Reporting Standards (“IFRS”) in use and as adopted by the European Union, with the exception of issues regulated in the no. 2 and 3 of Regulation no. 1/2005 and no. 2 of Regulation no. 4/2005 of Bank of Portugal (“NCA’s”). NCA’s comprise accounting standards issued by the International Accounting Standards Board (“IASB”) and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and its predecessor body with the exception of issues regulated in the Regulations no. 1/2005 and 4/2005of Bank of Portugal: i) valuation and provisioning of loans, for which it will be kept the current system, ii) benefits to employees through the establishment of a deferral period for the accounting impact resulting from the transition to the criteria of IAS 19 and iii) restriction of application of some options predicted in the IAS / IFRS.

The financial statements presented herein were approved by the Executive Board of Directors of CEMG on 20 August 2015. The financial statements are presented in Euro rounded to the nearest thousand.

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

The CEMG financial statements for the six months period ended at 30 June 2015 have been prepared in accordance with the NCA's, issued by the Bank of Portugal and currently in use in the period.

CEMG has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2015.

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

IFRIC 21 - Levies

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

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

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

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

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

b) Loans and advances to customers

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

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

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

Impairment

As referred in the accounting policy described in note 1 a), CEMG has prepared its financial statements in accordance with NCA's therefore, in accordance with no. 2 and 3 of Regulation no. 1/2005 from Bank of Portugal, CEMG adopted the same requirements for measurement and provision of loans and advances to customers used in the previous years, described as follows:

Specific provision for loan losses

The specific provision for loan losses is based on the appraisal of overdue loans including the related non overdue amounts and loans subject to restructuring, to cover specific credit risks. This provision is shown as a deduction against loans and advances to customers. The adequacy of this provision is reviewed regularly by CEMG, taking into consideration the existence of asset-backed guarantees, the overdue period and the current financial situation of the client.

The provision calculated under these terms, complies with the requirements established by Bank of Portugal, in accordance with Regulations no. 3/95, of 30 June, no. 7/00, of 27 October and no. 8/03, of 30 January.

General provision for loan losses

This provision is established to cover latent bad and doubtful debts which are present in any loan portfolio, including guarantees or signature credits, but which have not been specifically identified as such. This provision is recorded under provision for liabilities and charges.

The general provision for loan losses is in accordance with Regulation no. 3/95, of 30 June, Regulation no. 2/99, of 15 January and Regulation no. 8/03, of 30 January of Bank of Portugal.

Provision for country risk

The provision for country risk is in accordance with Regulation no. 3/95, of 30 June from Bank of Portugal, and is based on the Instruction no. 94/96, of 17 June, of Bank of Portugal, including the adoption of changes made to paragraph 2.4 of the referred Instruction published in October 1998.

Write-off of loans

In accordance with "Carta-Circular" no. 15/2009 of Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralised is effectively received and, in accordance with Regulation no. 3/95 of Bank of Portugal, the class of delay associated with the failure determines an allowance of 100%, by using impairment losses.

c) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

The interest from debt instruments are recognised as interest margin.

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

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

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

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

- The assets and liabilities are managed, evaluated and reported internally at its fair value;
- The designation eliminates or significantly reduces the accounting mismatch of the transactions; and
- The assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

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

2) Financial assets available for sale

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

3) *Held to maturity investments*

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

Any reclassification or sale of financial assets included in this category that does not occur close to the maturity of the assets, or if it is not scoped in the exceptions established in the standards, will require CEMG 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 CEMG does not intend to sell immediately or in a near future, may be classified in this category.

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

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

5) *Other financial liabilities*

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

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

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

(ii) Impairment

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

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

(iii) Embedded derivatives

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

d) Derivatives hedge accounting

(i) Hedge accounting

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

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

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

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

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

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

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

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

- Deferred over the residual period of the hedged instrument; or
- Recognised immediately in results of the period, if the hedged instrument is extinguished.

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

(iv) Hedge effectiveness

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

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

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

e) Reclassification between financial instruments categories

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

- If a financial asset, at the date of reclassification presents the characteristics of a debt instrument for which there is no active market; or
- When there is some event that is uncommon and highly improbable of reoccurring in the short term, the event can be classified as a rare circumstance.

CEMG adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Financial assets available for sale to Loans and receivables - Loans represented by securities and to 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.

f) Derecognition

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

CEMG derecognises financial liabilities when these are discharged, cancelled or extinguished.

g) Equity instruments

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

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

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

h) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

i) Investments in subsidiaries and associates

Investments in subsidiaries and associated are accounted for in CEMG's individual financial statements at its historical cost less any impairment losses.

Subsidiaries

Subsidiaries are entities (including investment funds and securitisation vehicles) controlled by CEMG. CEMG controls an entity when is exposed, or has rights, to variability in returns from its involvement with that entity and might get hold of them through the power he has over the relevant activities of that entity (facto control).

Financial investments in associates

Investments in associated companies are consolidated by the equity method since the date CEMG acquires significant influence until such time as it ceases. Associated companies are entities over which CEMG has significant influence but no control over its financial and operating policies. It is assumed that CEMG has significant influence when it has the power to exercise more than 20% of the voting rights of the associate. If CEMG holds, directly or indirectly, less than 20% of the voting rights, it is assumed that CEMG does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by CEMG is usually evidenced by one or more of the following:

- Representation on the Board of Directors or equivalent governing body;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between CEMG and participated company;
- Interchange of management personnel;
- Provision of essential technical information.

Impairment

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the

recoverable amount of the investments in subsidiaries and associated to their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

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

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

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

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

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

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

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

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

k) Finance lease

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

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

l) Interest income and expense

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

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

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

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

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

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

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

m) Fee and commission income

Fees and commissions are recognised according to the following criteria:

- Fees and commissions which are earned as services are provided and recognised in income over the period in which the service is being provided; or
- Fees and commissions that are earned on the execution of a significant act, are recognised as income when the service is completed; or

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

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

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

o) Fiduciary activities

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

p) Property and equipment

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

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

	<u>Number of years</u>
Premises	50
Expenditure on freehold and leasehold buildings	10
Other fixed assets	4 a 10

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

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

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

q) Intangible assets

Software

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

Other intangible assets

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

r) Cash and cash equivalents

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

s) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when CEMG has a legally enforceable right to offset the recognised 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 recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available for sale, for which the difference is recognised against equity.

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 a pension to cover the liabilities with pensions on retirement and disability, widows' pension, health-care benefits and death subsidy.

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

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

The liability with pensions is calculated annually by CEMG, as at 31 December for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries. The discount rate used in this calculation is determined based on market rates of emissions

associated with high quality corporate bonds, denominated in the currency in which benefits will be paid and with a similar maturity to the date of termination of the plan.

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

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

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

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

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

Health care benefits

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

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

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

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

Long-term service benefits

In accordance with the ACT "Acordo Colectivo de Trabalho" for the banking sector, CEMG has assumed the commitment to pay to current employees that achieve 15, 25 and 30 years of service

within CEMG, long-term service premiums corresponding, respectively, to 1, 2 and 3 months of their effective monthly remuneration earned at the date the premiums are paid.

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

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

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

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

Bonus to employees and to the Executive Board of Directors

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

v) Income taxes

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

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

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences except for intangible assets without finite useful life not deductible for tax purposes, differences arising on initial recognition of

assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

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

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

w) Segmental report

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

Taking into consideration that the individual financial statements are present together with the Group's report, in accordance with the paragraph 4 of IFRS 8, CEMG is dismissed to present individual information regarding Segmental Reporting.

x) Provisions

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

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

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

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

y) **Insurance and reinsurance brokerage services**

The CEMG is duly authorised by the member of the Supervisory Authority for insurance and pension funds in Portugal (“ASF”) 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 CEMG sells insurance contracts. As remuneration for the insurance brokerage services rendered, the CEMG receives commission for brokering insurance contracts and investments contracts, which is defined in agreements/protocols established between the CEMG and the Insurers.

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

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

z) **Accounting estimates and judgments in applying accounting policies**

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

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

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

Impairment of financial assets available for sale

CEMG 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, CEMG evaluates among other factors, the volatility in the prices of the financial assets. According to CEMG’s policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

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

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

Impairment losses on loans and advances to customers

CEMG reviews its loan portfolios to assess impairment losses on a regularly basis, as described in the accounting policy described in note b).

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

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

Fair value of derivatives

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

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

Held to maturity investments

CEMG follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and financial assets 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 CEMG fails to keep these financial assets 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 financial assets would therefore be measured at fair value instead of amortised cost.

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

Impairment for investments in subsidiary and associated companies

CEMG assesses annually the recoverable amount of investments in subsidiaries and associates, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amounts of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period.

The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks, that may require assumptions or judgment in making estimates of fair value.

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

Entities included in the consolidation perimeter

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

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

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

Income taxes

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

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

The Portuguese Tax and Customs Authorities are entitled to review the Bank 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 due to its probability, the Executive Board of Directors considers that there is no relevant material effect at the level of the Financial Statements.

Pensions and other employees benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, liquid rates, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Impairment of intangible assets without finite useful life

The recoverable amount of CEMG's intangible assets without finite useful life, is revised annually regardless of the existence of impairment losses indicators.

For this purpose, the carrying amount of the intangible assets without finite useful life is compared with the respective recoverable amount. An 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.

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

For the interim individual financial statements preparation purposes, with reference to 30 June 2015, CEMG applied for the first time IFRIC 21 - Levies, which clarifies the moment when a liability to pay

levies to governmental entities should be recognised, defining the date when the event occurs as the moment when the liability to pay the levy must be recognised.

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

The impact of this restatement in the financial statement of the first semester of 2014 resulted in a cost of Euro 6,237 thousands (see note 10) recorded in the Other operating income/ (expenses) balance, and a revenue of Euro 759 thousands (see note 30) recorded in Income taxes.

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

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

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

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Net interest income	104 070	146 033
Net gains arising from assets and liabilities at fair value through profit and loss	8 157	1 597
Net gains arising from available-for-sale financial assets	75 150	253 077
	187 377	400 707

3 Net interest income

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Interest and similar income		
Interest from loans to customers	220 793	280 975
Interest from deposits and other investments	751	641
Interest from available-for-sale financial assets	59 425	91 854
Interest from held for trading financial assets	47 738	56 276
Interest from financial assets at fair value through profit and loss	-	50
Interest from held-to-maturity financial assets	400	343
Interest from hedging derivatives	87	413
Other interest and similar income	7 431	8 033
	336 625	438 585
Interest and similar expense		
Interest from deposits of customers	105 459	145 060
Interest from loans of Central Banks and other financial institutions	17 557	18 227
Interest from securities issued	35 179	44 161
Interest from subordinated liabilities	2 825	2 939
Interest from financial liabilities associated with transferred assets	24 743	26 507
Interest from held for trading financial liabilities	45 281	54 404
Interest from hedging derivatives	346	632
Other interest and similar expense	1 165	622
	232 555	292 552
Net interest income	104 070	146 033

The balances Interest from loans to customers and Other interest and similar expenses include the positive amount of Euro 11,021 thousands and the negative amount of Euro 1,164 thousands (30 June 2014: the positive amount of Euro 11,700 thousands and the negative amount of Euro 621 thousands), respectively, related to commissions and other gains / losses which are accounted for under the effective interest rate method, as referred in the accounting policy, note 1 l).

The balance Interest and similar expense – Interest from deposits of customers includes the negative amount of Euro 5,900 thousands regarding the accounting of interest on term deposits, with increasing interest rates (30 June 2014: a negative amount of Euro 4,293 thousands).

4 Dividends from equity instruments

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Income arising from available-for-sale financial assets	1 400	493
Income from Associated companies	194	818
	1 594	1 311

This balance includes dividends and income from investment fund units received during the period.

5 Fee and commission income

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Fee and commission income		
From banking services	43 789	42 545
From transactions order by third parties	10 762	10 394
For guarantees provided	3 540	3 739
From insurance activity	3 507	3 712
Other fee and commission income	856	165
	62 454	60 555
Fee and commission expense		
From banking services rendered by third parties	7 628	7 969
From transactions with securities	273	283
Other fee and commission expense	5 343	593
	13 244	8 845
Net fee and commission income	49 210	51 710

At 30 June 2015 and 2014, commissions received on insurance brokerage services or reinsurance are analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Life Insurance		
Mortgage	577	584
Consumer	668	625
Other	778	819
	2 023	2 028
Non-life Insurance		
Mortgage	898	1 011
Consumer	19	69
Other	567	604
	1 484	1 684
	3 507	3 712

The commissions on insurance brokerage services were fully received in cash and all commissions resulted from insurance intermediation of Lusitania, Companhia de Seguros, SA and Lusitania Vida, Companhia de Seguros, SA.

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

The amount of this account is comprised of:

(Thousands of Euro)						
	Jun 2015			Jun 2014		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	9 955	14 109	(4 154)	96	-	96
Issued by other entities	67	75	(8)	108	57	51
Shares	8 330	7 013	1 317	22 798	21 831	967
Investment units	44	48	(4)	4 207	4 041	166
	<u>18 396</u>	<u>21 245</u>	<u>(2 849)</u>	<u>27 209</u>	<u>25 929</u>	<u>1 280</u>
Derivative financial instruments						
Exchange rate contracts	48 008	48 314	(306)	37 080	36 833	247
Interest rate contracts	92 943	95 200	(2 257)	64 652	63 667	985
Credit default contracts (CDS)	-	-	-	134	107	27
Futures contracts	2 046	1 953	93	1 534	3 019	(1 485)
Options contracts	10 738	10 683	55	7 368	7 384	(16)
Others	66 616	66 676	(60)	701	693	8
	<u>220 351</u>	<u>222 826</u>	<u>(2 475)</u>	<u>111 469</u>	<u>111 703</u>	<u>(234)</u>
Loans and other receivables						
Loans to customers	659	573	86	229	69	160
Sale of loans to customers	14 088	6	14 082	-	47	(47)
	<u>14 747</u>	<u>579</u>	<u>14 168</u>	<u>229</u>	<u>116</u>	<u>113</u>
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities						
From other issuers	-	-	-	1 216	275	941
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 216</u>	<u>275</u>	<u>941</u>
Hedging derivatives						
Interest rate contracts	748	333	415	732	801	(69)
	<u>748</u>	<u>333</u>	<u>415</u>	<u>732</u>	<u>801</u>	<u>(69)</u>
Financial liabilities						
Deposits from other credit institutions	141	61	80	200	871	(671)
Debt securities issued	456	1 528	(1 072)	710	2 797	(2 087)
Deposits from customers	352	323	29	3 921	275	3 646
Other subordinated liabilities	-	139	(139)	-	1 322	(1 322)
	<u>949</u>	<u>2 051</u>	<u>(1 102)</u>	<u>4 831</u>	<u>5 265</u>	<u>(434)</u>
	<u>255 191</u>	<u>247 034</u>	<u>8 157</u>	<u>145 686</u>	<u>144 089</u>	<u>1 597</u>

The balance Financial liabilities, includes fair value changes related with changes in the operations of own credit risk (spread), in the amount of Euro 5,668 thousands (30 June 2014: Euro 14,410 thousands) as described in notes 33, 34, 35 and 38. Thus, CEMG recognised in profit or loss for the period ended as at 30 June 2015 a negative amount of Euro 2,592 thousands (30 June 2014: Euro 4,171 thousands), referring to the fair value changes in the financial liabilities at fair value through profit or loss, attributable to credit risk of the entity itself.

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

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2015			Jun 2014		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	63 896	1 192	62 704	241 668	263	241 405
Issued by other entities	11 181	1 273	9 908	532	33	499
Shares	677	75	602	798	2	796
Other variable income securities	1 968	32	1 936	10 383	6	10 377
	<u>77 722</u>	<u>2 572</u>	<u>75 150</u>	<u>253 381</u>	<u>304</u>	<u>253 077</u>

The balance Fixed income securities – Bonds – issued by other public entities includes the amount of Euro 62,778 thousands (30 June 2014: Euro 241,298 thousands), related with realised gains and losses arising with the sale of treasury bonds of Portuguese domestic debt.

8 Net gains/ (losses) from foreign exchange differences

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2015			Jun 2014		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	88 424	85 253	3 171	14 706	12 521	2 185

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2015	Jun 2014
Sale of real estate properties	(11 685)	(8 539)
Others	(21)	(102)
	<u>(11 706)</u>	<u>(8 641)</u>

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/ (expenses)

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Other operating income		
Income from services	23 225	3 065
Staff transfer	8 503	8 005
Profits arising from deposits on demand management	4 546	4 225
Reimbursement of expenses	859	776
Repurchase of own securities	103	834
Others	2 724	8 683
	39 960	25 588
Other operating expenses		
Contribution for the Banking Sector	10 191	7 579
Repurchase of own securities	4 355	18
Real estate negotiation expenses	3 504	2 499
Contribution for the resolution fund	2 176	1 803
Deposit Guarantee Fund	649	3 093
Donations and membership	375	153
Taxes	107	555
Others	4 761	4 841
	26 118	20 541
Other net operating income	13 842	5 047

As at 30 June 2015, the caption Other operating income – Income from services includes the amount of Euro 20,000 thousands related to the estimated cost with services rendered by CEMG to Montepio Geral Associação Mutualista, as described in note 31.

As at 30 June 2015 and 2014, the caption Other operating income –Staff transfer includes the amount of Euro 8,103 thousands (30 June 2014: Euro 7,496 thousands) related to staff transfer by CEMG to Montepio Geral Associação Mutualista and CEMG’s associated companies.

As at 30 June 2015 and 2014, the result from repurchase of own issues is determined in accordance with the accounting policy described in note 1 c) and refers to the repurchase of *Euro Medium Term Notes* and cash bonds.

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.

The caption Contribution for the resolution fund corresponds to the mandatory contributions to the Fund in accordance with the terms of Decree Law No. 24/2013. These contributions are calculated

using a specific rate set annually and applied to the institutions’s liabilities, except provisions, revaluations of derivative financial instruments, deferred income and liabilities for assets not derecognised in securitisation transactions.

With the adoption of IFRIC 21, as defined in the accounting policy described in note 1 aa), the contributions for the banking sector and for the resolution fund correspond to the total amount paid in each period.

The caption Other operating costs – Taxes includes the amount of Euro 23 thousands (30 June 2014: Euro 373 thousands), regarding the payment of Municipal Tax over transactions (“IMT”).

11 Staff costs

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Remunerations	65 593	64 024
Mandatory social security charges	17 811	17 831
Charges with the pensions fund	6 025	4 279
Other staff costs	2 144	2 427
	91 573	88 561

As at 30 June 2015 and 2014, the caption charges with the pensions fund refers to the current services costs, of the first semester.

Additionally, as at 30 June 2014, the caption Charges with pensions fund includes the amount of Euro 344 thousands related to the costs with early retirements.

12 General and administrative expenses

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Rental costs	13 526	14 146
Specialised services		
IT services	4 742	5 277
Independent work	2 127	1 898
Other specialised services	7 895	6 937
Communication costs	3 248	3 944
Water, energy and fuel	2 199	2 182
Advertising costs	2 035	3 496
Maintenance and related services	1 861	1 913
Insurance	1 155	1 173
Transportation	1 112	1 382
Consumables	680	825
Travel, hotel and representation costs	596	698
Training costs	128	117
Other supplies and services	7 576	5 256
	48 880	49 244

The balance Rental costs, includes the amount of Euro 12,165 thousands (30 June 2014: Euro 12,589 thousands) related to rents paid regarding buildings used by CEMG as lessee.

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

13 Depreciation and amortisation

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Intangible assets		
<i>Software</i>	6 925	6 360
Other tangible assets		
Land and buildings	1 430	1 499
Equipment		
Computer equipment	2 054	2 541
Interior installations	723	785
Furniture	332	439
Security equipment	172	311
Transportation equipment	33	33
Tools and machinery	24	41
Operational lease	71	146
Other tangible assets	41	59
	4 880	5 854
	11 805	12 214

14 Loans impairment

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Other loans and advances to credit institutions		
Charge for the period	763	60
Write-back for the period	(357)	(503)
	406	(443)
Loans and advances to customers		
Charge for the period net of reversals	196 887	272 806
Recovery of loans and interest charged-off	(2 086)	(4 976)
	194 801	267 830
	195 207	267 387

In accordance with the accounting policy presented in note 1 a), CEMG applies NCA's in its individual financial statements, and therefore the balance Loans impairment relates to the estimate of the incurred losses at the end of the period determined in accordance with the provision regime defined by the rules of Bank of Portugal, as described in the accounting policy presented in note 1 b).

15 Other financial assets impairment

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Impairment for financial assets available for sale		
Charge for the period	48 845	32 689
Write-back for the period	(27 387)	(6 889)
	21 458	25 800

As at 30 June 2015, the balance Impairment for financial assets available for sale – charge for the period includes the amount of Euro 36 thousands (30 June 2014: Euro 1,219 thousands) that corresponds to the impairment recognised for investments units in a Fund specialised in the recovery of loans, acquired under the sale of loans and advances to customers, as referred in notes 21, 23 and 53.

Additionally, as at 30 June 2015, the caption Impairment for financial assets available for sale – Charge for the period includes the amount of Euro 13,748 thousands, referred to recognised impairment for investments units in real estate funds.

As at 30 June 2015, this caption includes the amount of Euro 2,338 thousands (30 June 2014: Euro 8,247 thousands) that corresponds to the additional impairment recognised for sovereign debt of Greece, as referred in notes 23 and 51.

16 Other assets impairment

The amount of this account is comprised of:

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Impairment for non-current assets held for sale		
Charge for the period	8 748	2 742
Write-back for the period	(1 221)	(3 631)
	7 527	(889)

17 Other provisions

The amount of this account is comprised of:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Jun 2014</u>
Provisions for general credit risks		
Charge for the period	52 910	53 801
Write-back for the period	(56 426)	(51 705)
	<u>(3 516)</u>	<u>2 096</u>
 Provision for other liabilities and charges		
Write-back for the period	(3 202)	(1 214)
	<u>(3 202)</u>	<u>(1 214)</u>
	<u><u>(6 718)</u></u>	<u><u>882</u></u>

18 Cash and deposits at central banks

This balance is analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Cash	174 109	172 259
Central Bank	89 580	31 079
	<u>263 689</u>	<u>203 338</u>

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

As at 30 June 2015, these deposits at Bank of Portugal presented an average interest rate of 0.05% (31 December 2014: 0.05%). The other deposits at central banks are non-interest-bearing deposits.

19 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Credit institutions in Portugal	756	284
Credit institutions abroad	19 261	16 074
Amounts due for collection	38 869	38 510
	58 886	54 868

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

20 Other loans and advances to credit institutions

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Loans and advances to credit institutions in Portugal		
Loans	103 570	97 051
Purchase operations with resale agreement	30 569	-
Short-term investments	27 500	96 473
Deposits	1 076	1 076
Other loans and advances	70 002	210 126
	232 717	404 726
Loans and advances to credit institutions abroad		
Purchase operations with resale agreement	185 652	1 762
Short-term investments	23 900	220 052
Deposits	7 008	19 653
Other loans and advances	90 221	135 040
	306 781	376 507
	539 498	781 233
Impairment for loans and advances to credit institutions	(651)	(245)
	538 847	780 988

The main loans and advances to credit institutions in Portugal, as at 30 June 2015, bear interest at an average annual interest rate of 0.14% (31 December 2014: 0.08%).

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

In the scope of operations of derivative financial instruments with institutional counterparties, and as defined in the respective contracts, the Group holds an amount of Euro 74,882 thousands (31 December 2014: Euro 103,263 thousands) related to deposits in credit institutions given as collateral for the referred operations.

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

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Balance on 1 January	245	810
Charge for the period	763	60
Write-back for the period	(357)	(503)
Balance on 30 June	651	367

21 Loans and advances to customers

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Domestic loans		
Corporate		
Loans	2 648 427	2 635 164
Commercial lines of credits	1 100 970	1 238 665
Commercial paper	686 711	760 372
Finance leases	318 542	314 838
Discounted bills	117 131	112 198
<i>Factoring</i>	82 890	87 998
Overdrafts	27 538	68 825
Other loans	1 073 555	1 116 775
Retail		
Mortgage loans	7 411 009	7 576 392
Financial lease	30 530	28 956
Consumer and other loans	937 619	972 370
	14 434 922	14 912 553
Foreign loans		
Corporate	-	731
	14 434 922	14 913 284
Correction value of assets subject to hedge operations		
Other credits	1 938	1 852
	1 938	1 852
Overdue loans and interest		
Less than 90 days	183 044	130 770
More than 90 days	1 162 132	947 678
	1 345 176	1 078 448
	15 782 036	15 993 584
Impairment for credit risks	(1 469 972)	(1 337 746)
	14 312 064	14 655 838

As at 30 June 2015, the balance Loans and advances to customers includes the amount of Euro 2,723,689 thousands (31 December 2014: Euro 2,711,971 thousands) related to the issue of covered bonds held by CEMG, in accordance with note 35.

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

- Transference in full of the rights to the asset's future cash-flows;
- Existence or not of price adjustment ("contingent price");
- Existence or not of rights on credits returns;
- Verification of the transferee's autonomy (autopilot); and
- Eventual control or influence by CEMG over SilverEquation.

Considering the characteristics of the contract celebrated between CEMG and SilverEquation, the Executive Board of Directors concluded that by selling the credits, CEMG eliminated its exposure to the variability of the amounts and timing of the cash-flows associated to the credit portfolio. On that basis, the Executive Board of Directors concluded that all the risks and rewards related to the respective credit portfolio were transferred, and therefore credits in the amount of Euro 398,100 thousands were derecognised from the financial statement position generating a gain of Euro 95,432 thousands recorded in the income statement.

As at 30 June 2015, it is outstanding by SilverEquation the amount of 166,613 thousands (31 December 2014: Euro 139,176 thousands) related to this sale, according to note 31.

As referred in notes 15, 23 and 53, CEMG performed operations of sales of loans and advances to customers to funds specialised in credit recovery. The global amount of credits sold as at 30 June 2015 and 31 December 2014 amounted to Euro 40,343 thousands.

As at 30 June 2015, loans, guarantees and lines of irrevocable loans (excluding interbank transactions and money market) CEMG granted to the holder of institutional capital and the companies controlled by them, amounted to Euro 454,422 thousands (31 December 2014: Euro 445,599 thousands).

CEMG performed the following operations conducted under the Programme for the issuance of CEMG Covered Bonds:

- May 2013: Issue of Euro 500,000 thousands; term: 4 years; and interest rate: Euribor 3M + 0.75%;
- July 2012: Refund of Euro 655,000 thousands;
- June 2012: Cancellation of Euro 53,300 thousands, with a score of Euro 1,857 thousands;
- November 2011: Issue of Euro 300,000 thousands; term: 5 years; an interest rate: Euribor 3M + 0.75%;
- October 2011: Cancellation of Euro 291,700 thousands, with a score of Euro 17,750 thousands.

- September 2011: Issue of Euro 550,000 thousands; term: 5 years; and interest rate: Euribor 3M + 0.75%;
- November 2010: Issue of Euro 500,000 thousands; term: 5 years; an interest rate: Euribor 3M + 2.5%;
- December 2009: Issue of Euro 150,000 thousands; term: 7 years; an interest rate: Euribor 3M + 0.75%; and
- July 2009: Issue of Euro 1,000,000 thousands; term: 3 years; an interest rate: 3.25%.

According with the accounting policy described in note 1 b), CEMG only writes-off overdue loans fully provided that after an economic analysis are considered uncollectable since there are no perspectives of recovery.

As at 30 June 2015, the balance Loans and advances to customers includes the amount of Euro 4,053,146 thousands (31 December 2014: Euro 3,101,676 thousands) related with loans object of securitisation that, in accordance with note 1 f), were not subject of derecognition.

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Mortgage loans	2 854 959	2 928 887
Consumer credit	264 183	172 700
Corporate loans	934 004	89
	<u>4 053 146</u>	<u>3 101 676</u>

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

The fair value of loans and advances to customers' portfolio is presented in note 47.

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

The analysis of loans and advances to customers, by maturity date and type of credit as at 30 June 2015, is as follows:

(Thousands of Euro)

	Loans and advances to customers				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	445 104	915 158	9 513 381	775 069	11 648 712
Other guarantee loans	705 454	282 569	359 855	332 298	1 680 176
Finance leases loans	314	103 097	245 661	23 140	372 212
Commercial paper	686 711	-	-	63 927	750 638
Other loans	634 760	171 177	373 619	150 742	1 330 298
	<u>2 472 343</u>	<u>1 472 001</u>	<u>10 492 516</u>	<u>1 345 176</u>	<u>15 782 036</u>

The analysis of loans and advances to customers, by maturity date and type of credit as at 31 December 2014, is as follows:

(Thousands of Euro)

	Loans and advances to customers				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	473 337	1 166 420	9 593 474	626 130	11 859 361
Other guarantee loans	677 741	54 100	627 579	297 064	1 656 484
Finance leases loans	1 598	102 866	239 330	23 320	367 114
Commercial paper	760 372	-	-	-	760 372
Other loans	754 537	136 446	327 336	131 934	1 350 253
	<u>2 667 585</u>	<u>1 459 832</u>	<u>10 787 719</u>	<u>1 078 448</u>	<u>15 993 584</u>

As at 30 June 2015, the balance Financial leases, by maturity, is analysed as follows:

(Thousands of Euro)

	Finance leases			
	Due within 1 year	1 year to 5 years	Over 5 years	Total
Outstanding rents	58 105	156 914	140 221	355 240
Outstanding interest	(13 358)	(34 925)	(31 338)	(79 621)
Residual Values	3 712	27 350	42 391	73 453
	<u>48 459</u>	<u>149 339</u>	<u>151 274</u>	<u>349 072</u>

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

(Thousands of Euro)

	Finance leases			Total
	Due within 1 year	1 year to 5 years	Over 5 years	
Outstanding rents	66 824	135 767	143 660	346 251
Outstanding interest	(13 986)	(22 210)	(23 520)	(59 716)
Residual Values	5 707	24 049	27 503	57 259
	<u>58 545</u>	<u>137 606</u>	<u>147 643</u>	<u>343 794</u>

CEMG does not present relevant contracts as leaser related to operating lease.

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Asset-backed loans	775 069	626 130
Other guarantee loans	332 298	297 064
Finance leases loans	23 140	23 320
Commercial paper	63 927	-
Other loans	150 742	131 934
	<u>1 345 176</u>	<u>1 078 448</u>

The analysis of the balance Overdue loans and interests, by type of loan, is as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Corporate		
Construction / Production	303 114	267 505
Investment	351 870	248 286
Treasury	460 354	353 667
Other loans	21 486	27 726
Retail		
Mortgage loans	68 954	67 342
Consumer credit	36 970	32 923
Other loans	64 734	49 347
Public sector	583	456
Other segments	37 111	31 196
	<u>1 345 176</u>	<u>1 078 448</u>

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

(Thousands of Euro)

	Jun 2015	Jun 2014
Balance on 1 January	1 337 746	1 043 503
Charge for the period net of reversals	196 887	272 806
Loans charged-off	(68 034)	(18 586)
Transfers	3 373	9 877
Balance on 30 June	<u>1 469 972</u>	<u>1 307 600</u>

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

As at 30 June 2015, CEMG has a provision for general banking risks in the amount of Euro 109,779 thousands (31 December 2014: Euro 113,295 thousands), which in accordance to NCA's is presented as a liability, as referred in note 37.

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

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

(Thousands of Euro)

	Jun 2015	Dez 2014
Asset-backed loans	785 155	780 283
Other guaranteed loans	372 786	335 515
Unsecured loans	185 936	184 934
Commercial paper	126 095	37 014
	<u>1 469 972</u>	<u>1 337 746</u>

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

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

(Thousands of Euro)

	Jun 2015	Jun 2014
Asset-backed loans	25 476	5 830
Other guaranteed loans	12 719	3 411
Unsecured loans	29 839	9 345
	<u>68 034</u>	<u>18 586</u>

The recovered loans and overdue interest, performed during the period between 1 January and 30 June 2015 and 2014, includes the amount of Euro 2,086 thousands and Euro 4,976 thousands, respectively, related with the recovery of asset-backed loans, as referred in note 14.

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

The loans portfolio includes restructured loans that have been formally negotiated with the clientes and consequent creation of new funding to replace the previous ones. The restructuring may result from an increase of guarantees and / or settlement credit and involve an extension of maturities or interest rate changes. The analysis of restructured loans by type of credit, is as follows:

	(Thousands of Euro)			
	Jun 2015		Dec 2014	
	Credit amount	Impairment	Credit amount	Impairment
Corporate				
Construction / Production	270 127	94 258	297 705	74 157
Investment	748 934	225 448	715 480	186 270
Treasury	146 323	58 802	151 089	47 460
Other loans	8	8	8	8
Retail				
Mortgage loans	326 741	13 266	345 949	7 523
Consumer credit	15 253	4 331	17 383	3 258
Other loans	80 784	9 909	85 145	7 440
Public sector	1 417	-	42	-
Other segments	68 665	54 600	68 172	54 556
	1 658 252	460 622	1 680 973	380 672

In relation to outstanding credits restructured, the amount of impairment associated with these transactions amounts to Euro 454,700 thousands (31 December 2014: Euro 401,230 thousands).

22 Financial assets and liabilities held for trading

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Financial assets held for trading		
Securities		
Shares	7 819	6 115
Bonds	42 972	648
Investment fund units	159	-
	50 950	6 763
Derivatives		
Derivative financial instruments with positive fair value	30 056	76 790
	30 056	76 790
	81 006	83 553
Financial liabilities held for trading		
Securities		
Short sales	1 844	561
Derivatives		
Derivative financial instruments with negative fair value	43 954	84 739
	45 798	85 300
	45 798	85 300

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

The balance Derivative financial instruments with positive fair value includes the amount of Euro 12,295 thousands (31 December 2014: Euro 30,350 thousands) referred to instruments associated to assets or liabilities at fair value through profit or loss, with the exception of loans and advances to customers in the amount of Euro 194 thousands (31 December 2014: Euro 218 thousands).

The balance Derivative financial instruments with negative fair value includes the amount of Euro 9,060 thousands (31 December 2014: Euro 24,215 thousands) referred to instruments associated to assets or liabilities at fair value through profit or loss, with the exception of loans and advances to customers in the amount of Euro 2,044 thousands (31 December 2014: Euro 2,177 thousands).

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

As referred in IFRS 13 financial instruments are measured in accordance with the following levels of valuation, described in note 47, as follows:

		(Thousands of Euro)		
		Jun 2015		
		Level 1	Level 2	Total
Financial assets held for trading				
Securities				
Shares		7 819	-	7 819
Bonds		42 972	-	42 972
Investment fund units		159	-	159
		<u>50 950</u>	<u>-</u>	<u>50 950</u>
Derivatives				
Derivative financial instruments with positive fair value		-	30 056	30 056
		<u>50 950</u>	<u>30 056</u>	<u>81 006</u>
Financial liabilities held for trading				
Securities				
Short sales		1 844	-	1 844
Derivatives				
Derivative financial instruments with negative fair value		-	43 954	43 954
		<u>1 844</u>	<u>43 954</u>	<u>45 798</u>
		(Thousands of Euro)		
		Dec 2014		
		Level 1	Level 2	Total
Financial assets held for trading				
Securities				
Shares		6 115	-	6 115
Bonds		648	-	648
		<u>6 763</u>	<u>-</u>	<u>6 763</u>
Derivatives				
Derivative financial instruments with positive fair value		-	76 790	76 790
		<u>6 763</u>	<u>76 790</u>	<u>83 553</u>
Financial liabilities held for trading				
Securities				
Short sales		561	-	561
Derivatives				
Derivative financial instruments with negative fair value		-	84 739	84 739
		<u>561</u>	<u>84 739</u>	<u>85 300</u>

During the first semester of 2015, there were no significant transfers between valuation levels.

The analysis of the securities portfolio held for trading by maturity as at 30 June 2015 is as follows:

	Jun 2015				Total
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	
Fixed income securities					
Bonds					
Portuguese	-	-	22 215	-	22 215
Foreign	-	-	20 757	-	20 757
Variable income securities					
Shares					
Portuguese	-	-	-	1 218	1 218
Foreign	-	-	-	6 601	6 601
Investment fund units	-	-	-	159	159
	<u>-</u>	<u>-</u>	<u>42 972</u>	<u>7 978</u>	<u>50 950</u>
Quoted	-	-	42 972	7 978	50 950

The analysis of the securities portfolio held for trading by maturity as at 31 December 2014 is as follows:

(Thousands of Euro)

	Dez 2014				Total
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	
Fixed income securities					
Bonds					
Foreign	-	-	648	-	648
Variable income securities					
Shares					
Portuguese	-	-	-	1 080	1 080
Foreign	-	-	-	5 035	5 035
	<u>-</u>	<u>-</u>	<u>648</u>	<u>6 115</u>	<u>6 763</u>
Quoted	-	-	648	6 115	6 763

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

(Thousands of Euro)

Jun 2015								
Derivative	Related financial asset / liability	Derivative			Related asset/liability			Reimbursement amount at maturity date
		Notional	Fair value	Fair value changes in the period	Fair value	Changes in the fair value in the period	Book Value	
Interest rate swap	Debt securities issued and others subordinated debt	93 556	734	(2 093)	(1 727)	1 211	106 177	105 802
Interest rate swap	Deposits from customers	88 310	(998)	385	(9)	(29)	84 019	83 973
Interest rate swap	Deposits from financial institutions	63 920	6 961	(2 277)	1 762	(80)	71 491	69 775
Interest rate swap	Covered bonds	5 450 438	(3 462)	1 085	-	-	-	-
Interest rate swap	Loans	44 757	(1 850)	109	1 938	86	45 698	45 334
Interest rate swap	Others	3 315 875	(15 650)	(2 508)	-	-	-	-
Currency swap	-	95 087	32	(630)	-	-	-	-
Futures	-	1 520	55	59	-	-	-	-
Options	-	133 722	280	(79)	-	-	-	-
		<u>9 287 185</u>	<u>(13 898)</u>	<u>(5 949)</u>	<u>1 964</u>	<u>1 188</u>	<u>307 385</u>	<u>304 884</u>

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

(Thousands of Euro)

Dec 2014								
Derivative	Related financial asset / liability	Derivative			Related asset/liability			Reimbursement amount at maturity date
		Notional	Fair value	Fair value changes in the period	Fair value	Changes in the fair value in the period	Book Value	
Interest rate swap	Debt securities issued and others subordinated debt	228 653	2 827	(2 836)	(2 938)	5 804	250 756	247 180
Interest rate swap	Deposits from customers	101 610	(1 383)	(222)	20	(5 343)	95 657	95 624
Interest rate swap	Deposits from financial institutions	87 475	9 238	(712)	1 842	2 270	61 009	60 000
Interest rate swap	Covered bonds	5 513 279	(4 547)	(74)	-	-	-	-
Interest rate swap	Loans	43 740	(1 959)	6	1 852	64	44 110	43 740
Interest rate swap	Others	3 415 992	(13 142)	1 748	-	-	-	-
Currency swap	-	197 172	662	1 047	-	-	-	-
Futures	-	1 559	(4)	(1)	-	-	-	-
Options	-	214 562	359	(109)	-	-	-	-
Credit Default Swaps	-	-	-	(81)	-	-	-	-
		<u>9 804 042</u>	<u>(7 949)</u>	<u>(1 234)</u>	<u>776</u>	<u>2 795</u>	<u>451 532</u>	<u>446 544</u>

The fair value component of financial liabilities recognised at fair value through profit or loss attributable to CEMG's credit risk is negative and the accumulated value amounts to Euro 5,668 thousands at 30 June 2015 (31 December 2014: Euro 8,260 thousands), as described in note 6.

The analysis of financial instruments held for trading, by maturity date as at 30 June 2015, is as follows:

(Thousands of Euro)

	Jun 2015					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Asset	Liability
Interest rate contracts:						
Interest rate swap	22 350	476 868	8 557 638	9 056 856	24 653	38 918
Options	27 723	39 156	66 843	133 722	5 273	4 993
Exchange rate contracts						
Currency swap	95 087	-	-	95 087	75	43
Index contracts:						
Index futures	1 520	-	-	1 520	55	-
	<u>146 680</u>	<u>516 024</u>	<u>8 624 481</u>	<u>9 287 185</u>	<u>30 056</u>	<u>43 954</u>

The analysis of financial instruments held for trading, by maturity date as at 31 December 2014, is as follows:

(Thousands of Euro)

	Dec 2014					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Asset	Liability
Interest rate contracts:						
Interest rate swap	106 450	513 457	8 770 842	9 390 749	69 946	78 912
Options	40 530	111 796	62 236	214 562	6 013	5 654
Exchange rate contracts						
Currency swap	195 533	1 639	-	197 172	831	169
Index contracts:						
Index futures	1 559	-	-	1 559	-	4
	<u>344 072</u>	<u>626 892</u>	<u>8 833 078</u>	<u>9 804 042</u>	<u>76 790</u>	<u>84 739</u>

23 Financial assets available for sale

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2015				
	Cost ⁽¹⁾	Fair value reserve		Impairment	Book Value
		Positive	Negative	Losses	
Fixed income securities					
Issued by public entities					
Portuguese	1 710 139	12 614	(50 393)	-	1 672 360
Foreign	264 316	3 640	(10 511)	(11 172)	246 273
Issued by other entities					
Portuguese	4 684 301	3 136	(7 669)	(31 142)	4 648 626
Foreign	550 024	25 789	(13 268)	(14 476)	548 069
Commercial paper	7 848	-	-	(998)	6 850
Variable income securities					
Shares					
Portuguese	78 582	237	(7)	(3 684)	75 128
Foreign	82 216	3 030	(173)	(3 951)	81 122
Investment fund units	1 288 317	13 459	(19 347)	(23 305)	1 259 124
	<u>8 665 743</u>	<u>61 905</u>	<u>(101 368)</u>	<u>(88 728)</u>	<u>8 537 552</u>

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

(Thousands of Euro)

	Dec 2014				
	Cost ⁽¹⁾	Fair value reserve		Impairment	Book Value
		Positive	Negative	Losses	
Fixed income securities					
Issued by public entities					
Portuguese	1 596 886	52 031	(3 085)	-	1 645 832
Foreign	107 352	5 030	(1 331)	(8 834)	102 217
Issued by other entities					
Portuguese	3 702 373	6 746	(19 517)	(51 864)	3 637 738
Foreign	625 395	32 181	(5 501)	(14 518)	637 557
Commercial paper	10 998	-	-	(998)	10 000
Variable income securities					
Shares					
Portuguese	84 092	147	(55)	(3 756)	80 428
Foreign	16 257	2 248	(916)	(3 030)	14 559
Investment fund units	1 279 450	13 096	(21 223)	(8 158)	1 263 165
	<u>7 422 803</u>	<u>111 479</u>	<u>(51 628)</u>	<u>(91 158)</u>	<u>7 391 496</u>

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

As at 30 June 2015, the balance Financial assets available for sale, in the financial statement position, includes securities subject to hedging operations, in the amount of Euro 760 thousands (31 December 2014: Euro 1,230 thousands), as referred in note 24.

As referred in note 1 c), the portfolio of assets available for sale are presented at market value with fair value changes accounted for against fair value reserves, as referred in note 44. CEMG assesses periodically whether there is objective evidence of impairment losses on the financial assets available for sale, following the judgment criteria's described in note 1 z).

As referred in note 53, the balance Variable income securities – Investment fund units includes the amount of Euro 29,843 thousands (31 December 2014: Euro 29,611 thousands) relating to units in a Fund specialised in the recovery of loans acquired under the sale of loans and advances to customers. As at 30 June 2015 and 31 December 2014 this amount includes Euro 6,153 thousands engaged to junior securities (investment fund units with a more subordinated character), which are fully provided, according to note 15, 21 and 53. The instruments are valued according to the prices published by the Investment Funds Management Companies.

As at 30 June 2015 and 31 December 2014, the analysis of financial assets available for sale net of impairment, by valuation levels, is presented as follows:

(Thousands of Euro)

	Jun 2015			Financial instruments at cost	Total
	Level 1	Level 2	Level 3		
Fixed income securities					
Issued by public entities					
Portuguese	1 672 360	-	-	-	1 672 360
Foreign	246 273	-	-	-	246 273
Issued by other entities					
Portuguese	47 420	456 531	4 144 675	-	4 648 626
Foreign	455 636	30 874	61 559	-	548 069
Commercial paper	-	-	-	6 850	6 850
	<u>2 421 689</u>	<u>487 405</u>	<u>4 206 234</u>	<u>6 850</u>	<u>7 122 178</u>
Variable income securities					
Shares					
Portugues	894	-	-	74 234	75 128
Foreign	15 655	-	65 300	167	81 122
Investment fund units	555 211	-	703 913	-	1 259 124
	<u>571 760</u>	<u>-</u>	<u>769 213</u>	<u>74 401</u>	<u>1 415 374</u>
	<u>2 993 449</u>	<u>487 405</u>	<u>4 975 447</u>	<u>81 251</u>	<u>8 537 552</u>

(Thousands of Euro)

	Dec 2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Portuguese	1 645 832	-	-	-	1 645 832
Foreign	102 217	-	-	-	102 217
Issued by other entities					
Portuguese	3 765	591 860	3 042 113	-	3 637 738
Foreign	523 680	49 998	63 879	-	637 557
Commercial paper	-	-	-	10 000	10 000
	<u>2 275 494</u>	<u>641 858</u>	<u>3 105 992</u>	<u>10 000</u>	<u>6 033 344</u>
Variable income securities					
Shares					
Portuguese	852	-	-	79 576	80 428
Foreign	14 392	-	-	167	14 559
Investment fund units	420 420	-	842 745	-	1 263 165
	<u>435 664</u>	<u>-</u>	<u>842 745</u>	<u>79 743</u>	<u>1 358 152</u>
	<u><u>2 711 158</u></u>	<u><u>641 858</u></u>	<u><u>3 948 737</u></u>	<u><u>89 743</u></u>	<u><u>7 391 496</u></u>

As referred on IFRS 13, financial instruments are measured according with the valuation levels described on note 47.

For instruments classified as level 3, in the first semester of 2015 were recorded in Gains arising from financial assets available for sale an amount of Euro 1,702 thousands (31 December 2014: Euro 422 thousands).

During the first semester of 2015 and the 2014 year, were not carried out any reclassifications of financial assets.

During the first semester of 2015 were reclassified from level 2 to level 1 an amount of Euro 42,556 thousands relating to securities which began complying with the requirements of this level, as described in note 47.

The instruments classified as level 3 have associated unrealised gains and losses in the positive amount of Euro 9,717 thousands (31 December 2014: positive amount of Euro 20,971 thousands) recognised in fair value reserves.

As at 30 June 2015 the amount recorded as impairment in these securities amounts to Euro 56,741 thousands (31 December 2014: Euro 82,654 thousands). There were no transfers to and from this level.

The assets included in level 3 amounting to Euro 615,376 thousands (31 December 2014: Euro 622,224 thousands), correspond to investment units in closed investment funds whose value resulted from the disclosure of the Net Asset Value of the Fund (VLGF) determined by the management company, in accordance with the respective funds accounts. The assets of these funds result from a diverse set of assets and liabilities registered in the respective accounts, at fair value, by internal methodologies used by the management company.

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

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Balance on 1 January	91 158	77 679
Charge for the period	48 845	32 689
Write-back for the period	(27 387)	(6 889)
Transfers	(23 888)	(43 942)
Balance on 30 June	88 728	59 537

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

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

- Equity instruments: (i) depreciation higher than 30% towards the acquisition cost; or (ii) market value below acquisition cost for more than 12 months period;
- Debt instruments: when there is an objective evidence of events with impact on the recoverable value of future cash flows of these assets.

As described in note 1 c) in the accounting policy, the portfolio of financial assets available for sale is presented as the net of the total fair value reserve and impairment. The total fair value reserve for financial assets available for sale portfolio is negative and amounts to Euro 39,463 thousands (31 December 2014: positive Euro 59,851 thousands) and impairment amounts to Euro 88,728 thousands (31 December 2014: Euro 91,158 thousands).

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

At 30 June 2015 and 31 December 2014, impairment losses recognised regarding the sovereign debt of Greece amounts to Euro 11,172 thousands and Euro 8,834 thousands, respectively as referred in notes 15 and 51.

As at 30 June 2015, the balance Financial assets available for sale, by maturity, is analysed as follows:

(Thousands of Euro)

	Jun 2015				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Issued by public entities					
Portuguese	-	150 832	1 521 528	-	1 672 360
Foreign	-	8 175	238 098	-	246 273
Issued by other entities					
Portuguese	-	-	4 646 304	2 322	4 648 626
Foreign	423	32 865	511 268	3 513	548 069
Commercial paper	6 850	-	-	-	6 850
	<u>7 273</u>	<u>191 872</u>	<u>6 917 198</u>	<u>5 835</u>	<u>7 122 178</u>
Variable income securities					
Shares					
Portugues	-	-	-	75 128	75 128
Foreign	-	-	-	81 122	81 122
Investment fund units	-	-	2 021	1 257 103	1 259 124
	<u>-</u>	<u>-</u>	<u>2 021</u>	<u>1 413 353</u>	<u>1 415 374</u>
	<u>7 273</u>	<u>191 872</u>	<u>6 919 219</u>	<u>1 419 188</u>	<u>8 537 552</u>

As at 31 December 2014, the balance Financial assets available for sale, by maturity, is analysed as follows:

(Thousands of Euro)

	Dec 2014				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Issued by public entities					
Portuguese	835	23 205	1 621 792	-	1 645 832
Foreign	-	5 130	97 087	-	102 217
Issued by other entities					
Portuguese	10 397	15 743	3 609 476	2 122	3 637 738
Foreign	67 152	19 487	547 443	3 475	637 557
Commercial paper	10 000	-	-	-	10 000
	<u>88 384</u>	<u>63 565</u>	<u>5 875 798</u>	<u>5 597</u>	<u>6 033 344</u>
Variable income securities					
Shares					
Portuguese	-	-	-	80 428	80 428
Foreign	-	-	-	14 559	14 559
Investment fund units	-	-	1 772	1 261 393	1 263 165
	<u>-</u>	<u>-</u>	<u>1 772</u>	<u>1 356 380</u>	<u>1 358 152</u>
	<u>88 384</u>	<u>63 565</u>	<u>5 877 570</u>	<u>1 361 977</u>	<u>7 391 496</u>

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

(Thousands of Euro)

	Jun 2015			Dec 2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed income securities						
Issued by public entities						
Portuguese	1 672 360	-	1 672 360	1 645 832	-	1 645 832
Foreign	246 273	-	246 273	102 217	-	102 217
Issued by other entities						
Portuguese	4 192 460	456 166	4 648 626	3 045 878	591 860	3 637 738
Foreign	520 078	27 991	548 069	587 357	50 200	637 557
Commercial paper	-	6 850	6 850	-	10 000	10 000
	<u>6 631 171</u>	<u>491 007</u>	<u>7 122 178</u>	<u>5 381 284</u>	<u>652 060</u>	<u>6 033 344</u>
Variable income securities						
Corporate shares						
Portuguese	894	74 234	75 128	852	79 576	80 428
Foreign	80 955	167	81 122	14 392	167	14 559
Investment fund units	1 183 811	75 313	1 259 124	1 263 165	-	1 263 165
	<u>1 265 660</u>	<u>149 714</u>	<u>1 415 374</u>	<u>1 278 409</u>	<u>79 743</u>	<u>1 358 152</u>
	<u>7 896 831</u>	<u>640 721</u>	<u>8 537 552</u>	<u>6 659 693</u>	<u>731 803</u>	<u>7 391 496</u>

Securities pledged as collateral recorded in Financial assets held for sale are presented as follows:

- The market value of the assets pledged as collateral to the European Central Bank in the context of liquidity providing operations in the amount of Euro 3,977 billions (31 December 2014: Euro 4,202 billions);
- Securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation Fund in nominal value, at the amount of Euro 1,750 millions (31 December 2014: Euro 1,750 billions);
- Securities pledged as collateral to the Deposit Guarantee Fund with a nominal value amounting to Euro 28 millions (31 December 2014: Euro 28 millions).

These financial assets pledged as collateral can be executed in case of default of contractual obligations assumed by the Group under the terms and conditions of contracts, as referred into note 32.

24 Hedging derivatives

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Asset		
Interest rate swap	32	60
Liability		
Interest rate swap	1 119	1 494

Hedging derivatives are valued according to internal valuation models, considering mainly observable market data. Therefore, in accordance with the hierarquisation of the valuation sources, and as referred in IFRS 13, these instruments are classified as level 2, as described in note 47.

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

CEMG performs periodical effectiveness tests of the hedging relationships.

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Financial assets available for sale	760	1 230

The analysis of the hedging derivatives portfolio by maturity date, as at 30 June 2015 is as follows:

(Thousands of Euro)

	Jun 2015							
	Notional with remaining term				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	10 000	3 000	3 500	16 500	(289)	(85)	(713)	(1 087)
	<u>10 000</u>	<u>3 000</u>	<u>3 500</u>	<u>16 500</u>	<u>(289)</u>	<u>(85)</u>	<u>(713)</u>	<u>(1 087)</u>

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2014 is as follows:

(Thousands of Euro)

	Dec 2014							
	Notional with remaining term				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	20 000	6 500	26 500	-	(447)	(987)	(1 434)
	<u>-</u>	<u>20 000</u>	<u>6 500</u>	<u>26 500</u>	<u>-</u>	<u>(447)</u>	<u>(987)</u>	<u>(1 434)</u>

As at 30 June 2015, the fair value hedge relationships present the following features:

(Thousands of Euro)

Derivative	Hedged item	Hedged risk	Notional	Fair value(1)	Jun 2015		Changes in the fair value of the hedge item in the year(1)
					Changes in the fair value of the derivative in the year	Hedge item fair value(1)	
Interest rate swap	Financial assets available for sale	Interest rate	16 500	(1 087)	347	760	(470)
			<u>16 500</u>	<u>(1 087)</u>	<u>347</u>	<u>760</u>	<u>(470)</u>

⁽¹⁾ Includes accrued interest.

⁽²⁾ Attributable to the hedged risk.

As at 31 December 2014, the fair value hedge relationships present the following features:

(Thousands of Euro)

Dec 2014							
Derivative	Hedged item	Hedged risk	Notional	Fair value(1)	Changes in the fair value of the derivative in the year	Hedge item fair value(1)	Changes in the fair value of the hedge item in the year(1)
Interest rate swap	Resources from OIC's	Interest rate	-	-	(414)	-	209
	Financial assets available for sale	Interest rate	26 500	(1 434)	326	1 230	(248)
			<u>26 500</u>	<u>(1 434)</u>	<u>(88)</u>	<u>1 230</u>	<u>(39)</u>

⁽¹⁾ Includes accrued interest.

⁽²⁾ Attributable to the hedged risk.

25 Held to maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2015	Dec 2014
Fixed income securities		
Bonds issued by portuguese public entities	6 346	6 209
Bonds issued by foreign public entities	11 305	11 124
	<u>17 651</u>	<u>17 333</u>

The fair value of held to maturity investments is presented in note 47.

CEMG assessed, with reference to 30 June 2015, the existence of objective evidence of impairment on its held to maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held to maturity investments, as at 30 June 2015, can be analysed as follows:

(Thousands of Euro)

Issue	Issue Date	Maturity Date	Interest Rate	Book Value
OT - October 05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.35%	6 346
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.25%	5 154
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.50%	2 067
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.75%	2 054
Buoni Poliennali del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.75%	2 030
				<u>17 651</u>

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

(Thousands of Euro)

Issue	Issue Date	Maturity Date	Interest Rate	Book Value
OT - October 05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.35%	6 209
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.25%	5 061
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.50%	2 029
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.75%	2 011
Buoni Poliennali del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.75%	2 023
				17 333

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

During the first semester of 2015 and the 2014 period, CEMG did not transfer to or from this assets category.

26 Investments in associated companies and others

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Investments in associated companies and others		
Montepio Holding, S.G.P.S., S.A.	341 250	341 250
Montepio Seguros, S.G.P.S., S.A.	65 100	65 100
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.L.)	8 997	8 997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Montepio - Gestão de Activos Imobiliários, ACE	636	636
Unquoted	419 183	419 183

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

(Thousands of Euro)

	<u>Number of shares</u>	<u>Percentage of direct shares</u>	<u>Unit value Euros</u>	<u>Acquisition cost</u>
30 June 2015				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100.00%	1.00	341 250
Montepio Seguros, S.G.P.S., S.A.	46 350 001	33.65%	1.00	65 100
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	99 200	100.00%	90.69	8 997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20.00%	5.00	3 200
Montepio - Gestão de Activos Imobiliários, ACE	636 924	26.00%	1.00	636
				<u>419 183</u>
31 December 2014				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100.00%	1.00	341 250
Montepio Seguros, S.G.P.S., S.A.	46 350 001	33.65%	1.00	65 100
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	99 200	100.00%	90.69	8 997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20.00%	5.00	3 200
Montepio - Gestão de Activos Imobiliários, ACE	636 924	26.00%	1.00	636
				<u>419 183</u>

On 9 May 2014, Montepio – Gestão de Activos Imobiliários, ACE was incorporated. CEMG has a 26% quote on this ACE.

27 Non-current assets held for sale

This balance is analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Buildings and other assets arising from recovered loans with customers	970 496	909 549
Impairment for non-current assets held for sale	(137 572)	(130 045)
	<u>832 924</u>	<u>779 504</u>

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

The balance Investments arising from recovered loans includes buildings and other assets resulting from the foreclosure of contracts of loans to customers, originated by (i) delivery of the assets, with

option to repurchase or leasing, accounted with the celebration of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer in the name of CEMG; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first pledged payment.

According to CEMG's expectation, these assets are available for sale in a period less than 1 year and the Group has a strategy for its sale. Nevertheless, given the current market conditions, in some situations it is not possible to conclude these sales before the expected deadline. This balance includes buildings and other assets for which CEMG has already established contracts for the sale in the amount of Euro 23,827 thousands (31 December 2014: Euro 8,212 thousands).

The movements, during the six months period ended at 30 June 2015 and during the year ended at 31 December 2014, for non-current assets held for sale are analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Opening balance	909 549	751 647
Acquisitions	113 927	282 015
Disposals	(53 192)	(125 486)
Other movements	212	1 373
Closing balance	970 496	909 549

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

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Jun 2014</u>
Balance on 1 January	130 045	88 416
Charge for the period	8 748	2 742
Write-back for the period	(1 221)	(3 631)
Balance on 30 June	<u>137 572</u>	<u>87 527</u>

In addition to the impairment losses, CEMG's recognised in profit or loss for these assets, losses on real estate arising from its disposal in the amount of Euro 12,693 thousands and gains in the amount of Euro 1,008 thousands (30 June 2014: loss in the amount of Euro 11,056 thousands and gains in the amount of Euro 2,517 thousands), as mentioned in note 9.

CEMG has implemented a plan for the immediate sale of non-current assets held for sale. However, in some situations, given the current market conditions, it has not been possible to accomplish these disposals within the expected term in some situations. However, CEMG continues to make every effort towards the achievement of established sales program, of which we highlight (i) the existence of a specific website for the sale of these real estate; (ii) the development and participation in real estate events either in the country or abroad; (iii) the establishment of agreements with several real estate intermediary agents; and (iv) the promotion of regular real estate auctions.

28 Property and equipment

This balance is analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Cost		
Land and buildings		
For own use	7 557	7 730
Leasehold improvements in rented buildings	40 233	40 340
Work in Progress	10	10
Equipment		
Computer equipment	83 652	82 361
Furniture	19 198	19 290
Interior installations	20 119	20 022
Security equipment	7 238	7 325
Transportation	2 496	2 571
Tools and machinery	2 693	2 957
Other equipment	1	1
Works of art	2 870	2 869
Assets in operational lease	765	975
Other tangible assets	1 941	1 946
Work in progress	3 570	3 106
	<u>192 343</u>	<u>191 503</u>
Accumulated depreciation		
Charge for the period	(4 880)	(11 262)
Accumulated charge in previous periods	(153 249)	(143 317)
	<u>(158 129)</u>	<u>(154 579)</u>
	<u>34 214</u>	<u>36 924</u>

29 Intangible assets

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Cost		
Software	66 853	66 854
Other intangible assets	88 333	88 333
Work in progress	13 215	3 465
	168 401	158 652
Accumulated depreciation		
Charge for the period	(6 925)	(12 875)
Accumulated charge in previous periods	(41 355)	(28 480)
	(48 280)	(41 355)
	120 121	117 297

The item Other intangible assets includes the amount of Euro 88,272 thousands representing the difference between assets and liabilities of Montepio Investimento, SA (previously designated Finibanco, SA) acquired by CEMG on 4 April 2011 and its book value and considers the fair value of such assets and liabilities and the potential business generation associated with Montepio Investment, S.A. network, acquired as referred in the accounting policy described in note 1 a).

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

As at 30 June 2015 and 31 December 2014 there was no need for the constitution of impairment losses for this asset.

30 Taxes

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

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

(Thousands of Euro)

	Assets		Liabilities		Net	
	Jun 2015	Dec 2014	Jun 2015	Dec 2014	Jun 2015	Dec 2014
Financial instruments	29 903	12 267	(18 261)	(32 886)	11 642	(20 619)
Provisions	268 017	251 593	-	-	268 017	251 593
Benefits to employees	34 269	35 637	-	-	34 269	35 637
Others	46	103	(53)	(53)	(7)	50
Tax Losses carried forward	88 612	75 732	-	-	88 612	75 732
Net deferred tax assets/(liabilities)	<u>420 847</u>	<u>375 332</u>	<u>(18 314)</u>	<u>(32 939)</u>	<u>402 533</u>	<u>342 393</u>

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

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

As a result of Law no. 82-B/2014 of 16 January, (State Budget Law for 2015) the income tax rate was reduced from 23% to 21%, being effective from 1 January, 2015 onwards.

The deferred tax rate is analysed as follows:

	Jun 2015	Dec 2014
	%	%
Income tax ^(a)	21.0%	21.0%
Municipal surcharge rate	1.5%	1.5%
State surcharge rate	7.0%	7.0%
Total ^(b)	<u>29.5%</u>	<u>29.5%</u>

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

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

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

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

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

	(Thousands of Euro)	
Expiry year	Jun 2015	Dec 2014
2017	32 792	28 248
2018	47 074	47 484
2027	8 746	-
	88 612	75 732

Deferred tax balance movements were recognised as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Opening balance	342 393	313 702
Charged to income statement	29 205	46 027
Charged to fair value reserves	32 261	(10 188)
Charged to reserves and retained earnings	(1 326)	(7 148)
Closing balance (Asset/ (Liability))	402 533	342 393

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

	(Thousands of Euro)			
	Jun 2015		Dec 2014	
	Charged to net (loss) / income	Charged to reserves and retained earnings	Charged to net (loss) / income	Charged to reserves
Financial instruments	-	32 261	-	(10 188)
Provisions	16 424	-	62 841	-
Employees benefits	(42)	(1 326)	4 640	(7 147)
Others	(57)	-	(1 767)	-
Tax losses carried forward	12 880	-	(19 687)	-
Deferred taxes	29 205	30 935	46 027	(17 335)
Current taxes	6 668	-	(11 433)	-
Total tax reconisid	35 873	30 935	34 594	(17 335)

The movements in Net deferred tax balance includes the deferred tax expenses for the year recognised in the profit and loss account, as well as the changes recognised in reserves and retained earnings, namely the impact resulting from the changes of the accounting policy for the recognition of actuarial gains and losses related with pension and post-employment benefits for the year and for previous

years, and unrealised gains and losses resulting from the revaluation of financial assets available for sale recognised in Equity.

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

	(Thousands of Euro)			
	Jun 2015		Jun 2014	
	%	Value	%	Value
Profit before income tax		(128 007)		9 120
Income tax based on the nominal tax rate	21.0	(26 881)	23.0	2 098
Impact of municipal and state surcharge	-	-	8.0	730
Post-employment benefits and Pensions Fund	(0.2)	291	(38.7)	(3 532)
Creation/reversal of taxed provisions	(12.0)	15 343	159.7	14 567
Extraordinary contribution for the banking sector	(1.7)	2 140	83.1	7 579
Tax losses	(7.1)	9 117	-	-
Autonomous taxation and other assets	(0.4)	494	-	-
Others	0.0	(10)	129.6	11 817
Impact on calculation of the deferred tax	22.8	(29 205)	(284.1)	(25 911)
Estimation excess of the prior year	5.6	(7 162)	-	-
Income tax for the period	28.0	<u>(35 873)</u>	80.6	<u>7 348</u>

CEMG evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits. In the present date, there are no unrecognised deferred taxes.

In 2014, CEMG was object of a Tax Authority's inspection to 2012 year. As a result of the inspection, CEMG was object of an additional payment of income tax, related to autonomous taxation and other adjustments to the calculated tax loss. Concerning to Stamp Duty, CEMG was also object of additional payment. CEMG paid the settled amounts, without prejudice of appeal regarding some corrections made by the tax authorities.

31 Other assets

This balance is presented as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Recoverable subsidies from Portuguese Government unliquidated	6 782	6 460
Other debtors	230 609	174 206
Other accrued income	22 176	6 622
Prepayments and deferred costs	1 437	704
Sundry debtors	49 449	50 182
	<u>310 453</u>	<u>238 174</u>
Impairment for other assets	(3 086)	(3 086)
	<u><u>307 367</u></u>	<u><u>235 088</u></u>

As at 30 June 2015, the balance Other accrued income includes the amount of Euro 20,000 thousands regarding the estimated cost with services rendered by CEMG to Montepio Geral Associação Mutualista, as described in note 10.

As at 30 June 2015, the balance Other debtors includes the amount of Euro 166,613 thousands (31 December 2014: Euro 139,176 thousands) relating to receivables regarding the operation of credits sale to SilverEquation, as described in note 21.

Additionally, the caption Other debtors includes the amount of Euro 27,436 thousands related to the sale of real estate classified as non-current assets held for sale.

As at 30 June 2015, the caption Other debtors also includes the amount of Euro 20,531 thousands (31 December 2014: Euro 3,833 thousands) related to receivables from public entities, mostly courts, regarding insolvency processes and loans claims.

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 30 June 2015 and 31 December 2014, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Recoverable subsidies from the Portuguese Government unliquidated	2 325	2 265
Subsidies unclaimed	411	315
Overdue subsidies unclaimed	4 046	3 880
	<u>6 782</u>	<u>6 460</u>

The balance Sundry debtors includes, as at 30 June 2015, the amount of Euro 112 thousands (31 December 2014: Euro 1,443 thousands) regarding transactions with securities recorded on trade date and pending settlement.

32 Deposits from central banks

As at 30 June 2015 and 31 December 2014, this balance is related to deposits obtained in the European System of Central Banks and is covered by securities from the available for sale portfolio pledged as collaterals portfolio of financial assets available for sale, as described in note 23.

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Up to 3 months	1 050 030	2 020 772
More than 6 months	1 726 546	476 114
	2 776 576	2 496 886

33 Deposits from other financial institutions

This balance is analysed as follows:

	(Thousands of Euro)					
	Jun 2015			Dec 2014		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Short-term investments	-	13 406	13 406	-	-	-
Deposits	2 754	43 706	46 460	920	51 854	52 774
	2 754	57 112	59 866	920	51 854	52 774
Deposits from credit institutions abroad						
Short-term investments	200 000	-	200 000	-	-	-
Deposits	48 337	513 444	561 781	18 452	556 426	574 878
Loans	-	633 982	633 982	-	443 333	443 333
Purchase operations with resale agreement	781 292	423 392	1 204 684	276 569	262 033	538 602
Other resources	15 510	-	15 510	28 488	-	28 488
	1 045 139	1 570 818	2 615 957	323 509	1 261 792	1 585 301
	1 047 893	1 627 930	2 675 823	324 429	1 313 646	1 638 075

As part of derivative financial instruments operations with institutional counterparties, according to the signed contracts, CEMG has, on 30 June 2015, the amount of Euro 10,670 thousands (31 December 2014: Euro 16,650 thousands) deposits received from other credit institutions as collateral for these operations.

The balance Deposits from other financial institutions includes emissions at fair value according to internal valuation methodologies, considering mainly market's observed data, with amount of Euro 71,491 thousands (31 December 2014: Euro 61,009 thousands). So, in accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are categorised in Level 2. Financial liabilities included in this balance are revaluated against results, according to the accounting policy described in note 1 d), having recognised a gain, at 30 June 2015, in the amount of Euro 80 thousands (31 December 2014: a loss of Euro 2,270 thousands) related to fair value variations associated to CEMG credit risk, as referred in notes 6 and 22.

34 Deposits from customers

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2015			Dec 2014		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	2 784 319	208 652	2 992 971	2 538 336	145 160	2 683 496
Time deposits	-	9 467 814	9 467 814	-	10 805 813	10 805 813
Saving accounts	-	108 603	108 603	-	110 992	110 992
Other resources	7 045	-	7 045	8 823	-	8 823
Adjustments arising from hedging operations	(9)	-	(9)	20	-	20
	<u>2 791 355</u>	<u>9 785 069</u>	<u>12 576 424</u>	<u>2 547 179</u>	<u>11 061 965</u>	<u>13 609 144</u>

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

The caption Time deposits includes deposits at fair value, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 84,019 thousands (31 December 2014: Euro 95,657 thousands). According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 30 June 2015, a gain in an amount of Euro 29 thousands (31 December 2014: a gain of Euro 5,343 thousands) was recorded, regarding the fair value variations resulting from CEMG's credit risk, as referred in notes 6 and 22.

35 Debt securities issued

This balance Debt securities issue is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
<i>Euro Medium Term Notes (EMTN)</i>	67 075	150 145
Bonds	1 413 916	1 786 327
Covered bonds	120 134	-
	1 601 125	1 936 472

The fair value of the debts securities issued is presented in note 47.

The balance Debt securities issued includes issues at fair value, according with internal valuation techniques and considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 30 June 2015 a loss in the amount of Euro 1,072 thousands (31 December 2014: a loss in the amount of Euro 4,148 thousands) was recognised regarding the fair value variations resulting from CEMG's credit risk, as referred in notes 6 and 22.

As at 30 June 2015, this balance includes the amount of Euro 106,177 thousands (31 December 2014: Euro 196,809 thousands) related to debt securities issued recognised at the balance sheet at fair value through profit or loss.

During the first semester of 2015, CEMG issued Euro 28,100 thousands (31 December 2014: Euro 480,853 thousands) of debt securities and performed the refund of Euro 515,020 thousands (31 December 2014: Euro 745,231 thousands).

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousands, CEMG proceeded to the emissions which totalised Euro 2,000,000 thousands. As at 30 June 2015, the main characteristics of these issues are as follows:

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody's/Fitch/Dbrs)
Covered bonds - 2S	1 000 000	1 000 386	December 2009	December 2016	Quarterly	Euribor 3M + 0.75%	Baa1/BB+/A
Covered bonds - 3S	500 000	501 941	November 2010	November 2015	Quarterly	Euribor 3M + 2.5%	Baa1/BB+/A
Covered bonds - 4S	500 000	500 076	May 2013	May 2017	Monthly	Euribor 1M + 0.75%	Baa1/BB+/A
	2 000 000	2 002 403					

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

As at 30 June 2015 the amount of credits that collateralise these issues amounts to Euro 2,723,689 thousands (31 December 2014: Euro 2,711,971 thousands), according with note 21.

During the first semester of 2015, CEMG disposed Euro 120,000 thousands of covered bonds – 2nd series.

The movements in debt securities issued during the first semester of 2015 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net Repurchase	Other movements (a)	Balance on 30 June
<i>Euro Medium Term Notes (EMTN)</i>	150 145	-	(125 000)	43 050	(1 120)	67 075
Bonds	1 786 327	28 100	(390 020)	-	(10 491)	1 413 916
Covered bonds	-	-	-	-	120 134	120 134
	<u>1 936 472</u>	<u>28 100</u>	<u>(515 020)</u>	<u>43 050</u>	<u>108 523</u>	<u>1 601 125</u>

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

The movements in debt securities issued during the year ended 31 December 2014 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net Repurchase	Other movements (a)	Balance on 31 December
<i>Euro Medium Term Notes (EMTN)</i>	216 393	-	(105 000)	(37 350)	76 102	150 145
Bonds	1 717 872	480 853	(416 641)	-	4 243	1 786 327
Covered bonds	80	-	-	-	(80)	-
Commercial paper	231 673	-	(223 590)	-	(8 083)	-
	<u>2 166 018</u>	<u>480 853</u>	<u>(745 231)</u>	<u>(37 350)</u>	<u>72 182</u>	<u>1 936 472</u>

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

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

During the first semester of 2015 the Debt securities issued is analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
MONTEPIO CAP CERTO 2014/2019 12S	02/01/2015	31/12/2019	Annual rate of 2.90% (2nd to 4th year a rate of 2.95%; 5th year a rate of 3.25%)	23 100
MONTEPIO CAPITAL CERTO 2015/2020 1S	02/02/2015	03/02/2020	Annual rate of 2.65% (2nd to 4th year a rate of 2.70%; 5th year a rate of 3%)	5 000
				<u>28 100</u>

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

According to accounting policy described in note 1 c), in the case of CEMG's liabilities securities purchases, they are written-off from liabilities and the difference between the purchase price and its book value is recognised in profit or loss. Following the purchases made during the six-month period ended at 30 June 2015, CEMG recognised a loss of Euro 4,252 thousands (30 June 2014: gain in the amount of Euro 816 thousands), as described in note 10.

36 Financial liabilities relating to transferred assets

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
<i>Aqua Mortgage No. 1</i>	148 550	148 952
<i>Pelican Finance No. 1</i>	176 581	176 469
<i>Pelican Mortgages No. 3</i>	288 510	298 145
<i>Pelican Mortgages No. 4</i>	731 938	745 221
<i>Pelican Mortgages No. 5</i>	740 432	757 507
<i>Pelican Mortgages No. 6</i>	932 958	948 786
<i>Pelican SME No. 2</i>	1 091 807	-
	4 110 776	3 075 080

37 Provisions

This balance is presented as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Provisions for general banking risks	109 779	113 295
Provisions for liabilities and charges	12 949	16 151
	122 728	129 446

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

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Balance on 1 January	113 295	110 993
Charge for the year	52 910	53 801
Write-back for the year	(56 426)	(51 705)
Balance on 30 June	109 779	113 089

The General provision for loan losses, was calculated in accordance with Regulation no. 3/95, of 30 June, no. 2/99, of 15 January, and no. 8/03 of 30 January of Bank of Portugal, as referred in the accounting policy 1 b).

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

	(Thousands of Euro)	
	Jun 2015	Jun 2014
Balance on 1 January	16 151	4 918
Write-back for the year	(3 202)	(1 214)
Balance on 30 June	12 949	3 704

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

38 Other subordinated debt

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

(Thousands of Euro)					
Issue	Issue date	Maturity	Issue amount	Interest rate	Book value
CEMG/06	Apr. 2006	Apr. 2016	50 000	Euribor 3 months+0.95%	26 150
CEMG/08 1. ^a série	Feb.2008	Feb.2018	150 000	Euribor 6 months+1.5%	121 248
CEMG/08 2. ^a série	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.5%	121 027
CEMG/08 3. ^a série	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.5%	17 993
FNB 08/18 1 ^a /2 ^a Série	Dec.2008	Dec.2018	10 363	Euribor 6 months+1.75% (iv)	10 373
FNB Grandes empresas 07/16_ 1 ^a série	May 2007	May 2016	6 450	Max.(0;6.0%*(1-n/8)) (i)	6 467
FNB Grandes empresas 07/16 2 ^a /3 ^a série	Jun.2007	Jun.2016	30 250	Max.(0;6.0%*(1-n/8)) (i)	30 253
					333 511

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

(Thousands of Euro)

Issue	Issue date	Maturity	Issue amount	Interest rate	Book value
CEMG/06	Apr. 2006	Apr. 2016	50 000	Euribor 3 months+0.95%	26 154
CEMG/08 1. ^a série	Feb.2008	Feb.2018	150 000	Euribor 6 months+1.5%	121 330
CEMG/08 2. ^a série	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.5%	121 031
CEMG/08 3. ^a série	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.5%	18 179
FNB 08/18 1 ^o /2 ^a Série	Dec.2008	Dec.2018	10 363	Euribor 6 months+1.75% (iv)	10 375
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	n/N * 5% + m/N * 1% (iii)	238
FNB Grandes empresas 07/16_ 1 ^a série	May 2007	May 2016	6 450	Máx.(0;6.0%*(1-n/7)) (i)	6 512
FNB Grandes empresas 07/16 2 ^a /3 ^a série	Jun.2011	Jun.2016	30 250	Máx.(0;6.0%*(1-n/7)) (i)	30 491
FNB Indices estratégicos 07/17 1 ^a série	May 2007	Jun.2015	14 947	6.25%*VN Min.(quote) (ii)	14 947
FNB Indices estratégicos 07/17 2 ^a /3 ^a série	Jun.2007	Jun.2015	39 000	6.25%*VN Min.(quote) (ii)	39 000
					388 257
				Adjustments arising from hedging operations	(139)
					388 118

References:

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

Coupon	Interest rate/range
1st Coupon	5.50%
2nd Coupon	5.50%
3rd Coupon	Max [0; 6.0% * (1-n/3)]
4th Coupon	Max [0; 6.0% * (1-n/4)]
5th Coupon	Max [0; 6.0% * (1-n/5)]
6th Coupon	Max [0; 6.0% * (1-n/6)]
7th Coupon	Max [0; 6.0% * (1-n/7)]
8th Coupon	Max [0; 6.0% * (1-n/8)]
9th Coupon	Max [0; 6.0% * (1-n/9)]

Notes:

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

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

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

Coupon	Interest rate/range
1st year	5.50% * notional
2nd year	5.50% * notional
3rd year and the following	6.25% * notional if $\text{Min}(\text{SDk}/\text{SD0}-\text{SXk}/\text{SX0}; \text{Hsk}/\text{HS0}-\text{SXk}/\text{SX0}) > \text{Barrier k}$ ***

*** if not = 0%, where:

Barrier 3 = Barrier to be applied on 3rd coupon = 0% ;
 Barrier 4 = Barrier to be applied on 4rd coupon = 1% ;
 Barrier 5 = Barrier to be applied on 5th coupon = 2% ;
 Barrier 6 = Barrier to be applied on 6th coupon = 3% ;
 Barrier 7 = Barrier to be applied on 7th coupon = 4% ;
 Barrier 8 = Barrier to be applied on 8th coupon = 5% ;
 Barrier k = Barrier to be applied on k*coupon
 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	Euribor 6M + 1.50% (annual rate)
11th and following	Euribor 6M + 1.75% (annual rate)

As at 30 June 2015 and 31 December 2014, the balance Other subordinated debt includes debt securities valued at fair value in accordance with internal valuation techniques considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 30 June 2015 the negative

amount of Euro 139 thousands (31 December 2014: Euro 1,656 thousands) was recognised, regarding the fair value variations resulting from CEMG's credit risk, as referred in notes 6 and 22.

As at 31 December 2014, the balance of other subordinated debt at the balance sheet at fair value through profit or loss amounts to Euro 53,947 thousands.

As at 30 June 2015, the subordinated debt bears postponed interest every three, six and twelve months and are set between 0.11% and 2.00% (31 December 2014: 0.8% and 2.03%).

The fair value of the debt securities issued is presented in note 47.

39 Other liabilities

This balance is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Creditors		
Suppliers	2 035	15 885
Other creditors	79 636	33 682
Administrative public sector	13 592	15 738
Charges with the staff expenses	34 159	33 709
Other administrative costs payable	2 390	180
Deferred income	1 333	1 686
Other sundry liabilities	41 811	178 580
	174 956	279 460

As at 30 June 2015, the balance Other sundry liabilities includes the amount of Euro 31,345 thousands (31 December 2014: Euro 90,056 thousands), related with net liabilities recognised in the statement of financial position, which represents the difference between the costs with pensions, health benefits and death subsidy and the assets.

As at 30 June 2015, the balance charges with the staff expenses includes the amount of Euro 14,903 thousands (31 December 2014: Euro 14,657 thousands), related to seniority bonus.

Additionally, as at 30 June 2015 this caption includes the amount of Euro 19,256 thousands (31 December 2014: Euro 19,052 thousands), related to holidays, holidays subsidy and Christmas subsidy.

As at 31 December 2014, the caption Other sundry liabilities includes the amount of Euro 68,205 thousands, referred to balances of operations on securities pending settlement.

40 Institutional capital

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

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

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

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

41 Participation fund

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

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

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

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

Caixa Económica Montepio Geral issued 400,000,000 investment fund units with the nominal value of Euro 1, which are issued in its nominative form.

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

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

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

42 Other equity instruments

This caption includes the issuance of Euro 15,000 thousands occurred in the first quarter of 2010 Perpetual Subordinated Securities Interest conditioners made by Montepio Investimento, S.A. (previously designated as Finibanco, S.A.), and in connection with the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated as Finibanco Holding, S.G.P.S., S.A.), and its subsidiaries, was integrated in CEMG responsibilities, as described in note 1 a).

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

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

Payment

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

1st to 4th coupon: 7.00%;

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

Payment interest limitations

The Issuer will be prevented from making interest payment:

- And even to 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 to the extent or up to the 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 in the Bank of Portugal opinion, this payment endangers the compliance of Regulatory capital in the requirements regulation.

The impediment to proceed to the Interest Payment may be total or partial.

The interest non-payment on any date excludes the issuer of the interest payment related to this date in a future time.

Distributable funds of a certain year are determined by the algebraic sum, with reference to the previous year, the retained earnings with any other amount which may be distributable and the profit or loss, net of reserve requirements, statutory and legal, but before the deduction of the amount of any dividends on ordinary shares or other securities subject to these, for that exercise.

During the first semester of 2015, the interest for this issue amounted to Euro 379 thousands.

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

Reimbursement

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

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

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

43 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 and under the CEMG statutes, the general reserve should be charged, annually, at least, in a minimum of 20% of the profit for the year. This reserve is not available for distribution and it can be used to improve future income performances or to increase capital.

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

The variation of the general and special reserves balance is analysed in note 44.

44 Revaluation reserves, other reserves and retained earnings

This balance is analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Fair value reserves		
Available for sale financial assets		
Gross amount	(39 463)	59 851
Tax	11 642	(20 619)
Others	8 404	8 404
	<u>(19 417)</u>	<u>47 636</u>
Reserves and retained earnings		
General reserve	186 000	186 000
Special reserve	68 273	68 273
Deferred tax reserve	40 850	42 177
Retained earnings	(586 375)	(428 691)
	<u>(291 252)</u>	<u>(132 241)</u>

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

The movements of revaluation reserves related to financial assets available for sale, during the first semester of 2015, are analysed as follows:

	(Thousands of Euro)					
	<u>Balance on 1 January</u>	<u>Revaluation</u>	<u>Acquisition</u>	<u>Sales</u>	<u>Impairment recognised in the year</u>	<u>Balance on 30 June</u>
Fixed income securities						
Bonds issued by public Portuguese entities	48 946	1 164	(46 653)	(41 236)	-	(37 779)
Bonds issued by public foreign entities	3 699	825	(9 057)	-	(2 338)	(6 871)
Bonds issued by other entities						
Portuguese	(12 771)	(10 141)	238	(2 581)	20 722	(4 533)
Foreign	26 680	(8 886)	(3 056)	(2 259)	42	12 521
	<u>66 554</u>	<u>(17 038)</u>	<u>(58 528)</u>	<u>(46 076)</u>	<u>18 426</u>	<u>(36 662)</u>
Variable income securities						
Shares						
Portuguese	92	(33)	48	51	72	230
Foreign	1 332	1 363	384	699	(921)	2 857
Investments fund units	(8 127)	41 070	(10)	(177)	(38 644)	(5 888)
	<u>(6 703)</u>	<u>42 400</u>	<u>422</u>	<u>573</u>	<u>(39 493)</u>	<u>(2 801)</u>
	<u>59 851</u>	<u>25 362</u>	<u>(58 106)</u>	<u>(45 503)</u>	<u>(21 067)</u>	<u>(39 463)</u>

The movements of this balance during 2014 are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Revaluation	Acquisition	Sales	Impairment recognised in the year	Balance on 31 December
Fixed income securities						
Bonds issued by public Portuguese entities	33 403	9 621	8 721	(2 799)	-	48 946
Bonds issued by public foreign entities	294	3 176	645	3	(419)	3 699
Bonds issued by other entities						
Portuguese	(20 608)	20 372	4 954	(2 877)	(14 612)	(12 771)
Foreign	13 800	14 218	5 243	(162)	(6 419)	26 680
	<u>26 889</u>	<u>47 387</u>	<u>19 563</u>	<u>(5 835)</u>	<u>(21 450)</u>	<u>66 554</u>
Variable income securities						
Shares						
Portuguese	169	98	18	7	(200)	92
Foreign	1 947	(570)	(178)	(88)	221	1 332
Investments fund units	6 301	(13 882)	(3 678)	(4 818)	7 950	(8 127)
	<u>8 417</u>	<u>(14 354)</u>	<u>(3 838)</u>	<u>(4 899)</u>	<u>7 971</u>	<u>(6 703)</u>
	<u>35 306</u>	<u>33 033</u>	<u>15 725</u>	<u>(10 734)</u>	<u>(13 479)</u>	<u>59 851</u>

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

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Amortised cost of available for sale financial assets	8 665 742	7 422 803
Accumulated impairment recognised	(88 728)	(91 158)
	<u>8 577 014</u>	<u>7 331 645</u>
Amortised cost of available for sale financial assets, net of impairment	8 577 014	7 331 645
Market value of available for sale financial assets	8 537 551	7 391 496
Net/ unrealised gains/(losses) recognised in the fair value reserve	<u>(39 463)</u>	<u>59 851</u>

45 Distribution of profit

In 2015 and 2014, CEMG has not distributed profits.

46 Obligations and future commitments

Obligations and future commitments are analysed as follows:

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Guarantees granted	489 248	451 123
Guarantees received	30 339 596	30 982 915
Commitments to third parties	1 556 285	1 325 630
Commitments from third parties	42 792	42 340
Assets transferred in securitised operations	181 090	191 970
Securities and other items held for safekeeping on behalf of customers	7 575 283	8 259 175
	<u>40 184 294</u>	<u>41 253 153</u>

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

	(Thousands of Euro)	
	<u>Jun 2015</u>	<u>Dec 2014</u>
Guarantees granted		
Guarantees	452 585	434 475
Open documentary credits	36 663	16 648
	<u>489 248</u>	<u>451 123</u>
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	713 635	723 199
Annual contribution to the Guarantee Deposits Fund	25 314	25 314
Potential obligation with the Investors' Indemnity System	2 774	3 217
Revocable commitments		
Revocable credit lines	814 502	573 900
	<u>1 556 225</u>	<u>1 325 630</u>

Documentary credits correspond to irrevocable commitments with the CEMG's clients, which ensure the payment of a determined amount to client's suppliers, within a fixed term, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancelable without the agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the CEMG's customers (for example unused credit lines). These agreements are generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a

commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

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

As at 30 June 2015 and 31 December 2014, the balance Annual contribution to the obligations of Guarantee Deposits Fund is related with the irrevocable commitment assumed by CEMG and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

As at 30 June 2015 and 31 December 2014, the balance Potential obligation with the Investors' Indemnity System refers to the irrevocable obligation that CEMG assumed, under the applicable law, to deliver to that system, in case needed, the required amount to pay its share of the indemnities to be paid to investors.

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

47 Fair value

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

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

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

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

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

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

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

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

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

For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank was 0.050% (31 December 2014: 0.32%).

Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by CEMG on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period).

- *Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives) and Financial assets available for sale and Other Financial Assets at fair value through profit and loss*

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

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

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

- *Financial assets held to maturity*

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

- *Hedging and trading derivatives*

All derivatives are recorded at fair value.

In the case of those who are quoted in organised markets, the market price is used. As for derivatives traded "over the counter", the application of the numerical methods based on

techniques of discounted cash flow valuation models and considering options including changing market interest rates applicable to the instruments concerned, and where necessary, their volatility.

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

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

The fair value of these instruments is calculated discounting the expected principal and interest future cash flows for these instruments. Considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in similar instruments for each of the homogeneous classes of this type of instrument and with similar maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the second three months of 2015. The average discount rate was 3.84% (31 December 2014: 3.89%), assuming the projection of variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculation also includes the credit risk spread.

- *Loans and advances to customers without defined maturity date and deposits repayable on demand*

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

- *Deposits from customers*

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in identical instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the spread of CEMG at the date of the report, which was calculated from the average production of the second three months of 2015. The average discount rate was of 0.70% (31 December 2014: 1.37%).

- *Debt securities issued and Subordinated debt*

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

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

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

For own issues placed among CEMG's non institutional clients a new differential was added (trading spread) which represents the margin between financing cost in the institutional market and its obtained by distributing the respective instrument in its own commercial network.

As at 30 June 2015, the following table presents the values of the interest rates used in the clearance of the interest rate curves of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of CEMG:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0.1180%	0.2200%	0.4450%	-2.2750%	-0.1250%
7 days	-0.1200%	0.2350%	0.5500%	-0.8750%	0.0700%
1 month	-0.0640%	0.3600%	0.5800%	-0.8750%	0.0700%
2 months	-0.0380%	0.4100%	0.6600%	-0.9000%	-0.0950%
3 months	-0.0140%	0.4000%	0.7100%	-0.9000%	0.0100%
6 months	0.0500%	0.5900%	0.8450%	-0.8400%	0.0550%
9 months	0.1000%	0.7050%	0.9850%	-0.8950%	-0.0750%
1 year	0.1640%	0.9100%	1.1050%	-0.8350%	0.1500%
2 years	0.1215%	1.0589%	1.1020%	-0.7406%	0.1499%
3 years	0.2175%	1.2083%	1.1020%	-0.6324%	0.1499%
5 years	0.5024%	1.5082%	1.1020%	-0.4153%	0.1499%
7 years	0.8009%	1.8090%	1.1020%	-0.1977%	0.1499%
10 years	1.1600%	2.2575%	1.1020%	0.1273%	0.1499%
15 years	1.5075%	2.6504%	1.1020%	0.6700%	0.1499%
20 years	1.6485%	2.8060%	1.1020%	0.6700%	0.1499%
30 years	1.6990%	2.8970%	1.1020%	0.6700%	0.1499%

As at 31 December 2014, the following table presents the values of the interest rates used in the clearance of the interest rate curves of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of CEMG:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0.0150%	0.1700%	0.5300%	-0.0500%	-0.0200%
7 days	-0.0150%	0.1980%	0.5300%	-0.0500%	-0.0200%
1 month	0.0180%	0.3100%	0.5250%	-0.2000%	-0.0200%
2 months	0.0440%	0.3750%	0.5600%	-0.2200%	-0.0200%
3 months	0.0780%	0.1900%	0.6000%	-0.2400%	0.0450%
6 months	0.1710%	0.5000%	0.6750%	-0.0200%	0.0650%
9 months	0.2450%	0.6000%	0.8700%	-0.0200%	0.1100%
1 year	0.3250%	0.8200%	0.9250%	-0.0300%	0.1450%
2 years	0.1770%	0.8930%	0.9280%	-0.0960%	0.1449%
3 years	0.2240%	1.2930%	1.1340%	-0.0590%	0.1449%
5 years	0.3600%	1.7880%	1.4410%	0.0720%	0.1449%
7 years	0.5320%	2.0640%	1.6390%	0.2470%	0.1449%
10 years	0.8195%	2.3060%	1.8360%	0.5140%	0.1449%
15 years	1.1528%	2.5280%	2.0630%	0.7720%	0.1449%
20 years	1.3268%	2.6070%	2.0630%	0.7720%	0.1449%
30 years	1.4718%	2.6830%	2.0630%	0.7720%	0.1449%

Exchange rates and volatility

We present below the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

Exchange rates	Jun/15	Dec/14	Volatility (%)				
			1 month	3 months	6 months	9 months	1 year
EUR/USD	1.1189	1.2141	13.688	12.275	11.575	11.250	11.100
EUR/GBP	0.7114	0.7789	11.550	10.250	9.850	9.650	9.500
EUR/CHF	1.0413	1.2024	10.350	10.325	10.175	10.200	10.150
EUR/JPY	137.01	145.23	14.800	12.700	12.100	11.750	11.550

Concerning the exchange rates, CEMG uses in the valuation models the spot rate observed in the market at the time of the valuation.

As at 30 June 2015 and 31 December 2014 the fair value for each group of assets and liabilities is presented as follows:

(Thousands of Euro)

Jun 2015						
	Designated at fair value through profit or loss	Amortised cost	Available-for- sale	Others	Book value	Fair value
Financial assets						
Cash and deposits at central banks	-	263 689	-	-	263 689	263 689
Loans and advances to credit institutions	-	58 886	-	-	58 886	58 886
Loans and advances to credit institutions	-	538 847	-	-	538 847	538 847
Loans and advances to customers	45 698	14 266 366	-	-	14 312 064	13 450 413
Financial assets held for trading	81 006	-	-	-	81 006	81 006
Available-for-sale financial assets	-	-	8 537 552	-	8 537 552	8 537 552
Hedging derivatives	32	-	-	-	32	32
Held-to-maturity investments	-	17 651	-	-	17 651	17 874
Investments in associated companies and others	-	-	-	419 183	419 183	419 183
	<u>126 736</u>	<u>15 145 439</u>	<u>8 537 552</u>	<u>419 183</u>	<u>24 228 910</u>	<u>23 367 482</u>
Financial liabilities						
Deposits from central banks	-	2 776 576	-	-	2 776 576	2 776 576
Deposits from other credit institutions	71 491	2 604 332	-	-	2 675 823	2 675 929
Deposits from customers	84 019	12 492 405	-	-	12 576 424	12 690 547
Debt securities issued	106 177	1 494 948	-	-	1 601 125	1 651 858
Financial liabilities relating to transferred assets	-	-	-	4 110 776	4 110 776	3 001 293
Financial liabilities held for trading	45 798	-	-	-	45 798	45 798
Hedging derivatives	1 119	-	-	-	1 119	1 119
Other subordinated debt	-	333 511	-	-	333 511	326 972
	<u>308 604</u>	<u>19 701 772</u>	<u>-</u>	<u>4 110 776</u>	<u>24 121 152</u>	<u>23 170 092</u>

(Thousands of Euro)

Dec 2014						
	Designated at fair value through profit or loss	Amortised cost	Available-for- sale	Others	Book value	Fair value
Financial assets						
Cash and deposits at central banks	-	203 338	-	-	203 338	203 338
Loans and advances to credit institutions	-	54 868	-	-	54 868	54 868
Loans and advances to credit institutions	-	780 988	-	-	780 988	780 988
Loans and advances to customers	44 110	14 611 728	-	-	14 655 838	13 966 352
Financial assets held for trading	83 553	-	-	-	83 553	83 553
Available-for-sale financial assets	-	-	7 391 496	-	7 391 496	7 391 496
Hedging derivatives	60	-	-	-	60	60
Held-to-maturity investments	-	17 333	-	-	17 333	17 781
Investments in associated companies and others	-	-	-	419 183	419 183	419 183
	<u>127 723</u>	<u>15 668 255</u>	<u>7 391 496</u>	<u>419 183</u>	<u>23 606 657</u>	<u>22 917 619</u>
Financial liabilities						
Deposits from central banks	-	2 496 886	-	-	2 496 886	2 496 886
Deposits from other credit institutions	61 009	1 577 066	-	-	1 638 075	1 638 166
Deposits from customers	95 604	13 513 540	-	-	13 609 144	13 721 436
Debt securities issued	196 809	1 739 663	-	-	1 936 472	2 103 084
Financial liabilities relating to transferred assets	-	-	-	3 075 080	3 075 080	2 630 413
Financial liabilities held for trading	85 300	-	-	-	85 300	85 300
Hedging derivatives	1 494	-	-	-	1 494	1 494
Other subordinated debt	-	388 118	-	-	388 118	381 012
	<u>440 216</u>	<u>19 715 273</u>	<u>-</u>	<u>3 075 080</u>	<u>23 230 569</u>	<u>23 057 791</u>

The following table summarises, by valuation levels for each group of assets and liabilities of CEMG their fair values as at 30 June 2015:

(Thousands of Euro)

Jun 2015					
	Level 1	Level 2	Level 3	Financial instruments at cost	Book value
Financial assets					
Cash and deposits at central banks	263 689	-	-	-	263 689
Loans and advances to credit institutions repayable on	58 886	-	-	-	58 886
Loans and advances to credit institutions	538 847	-	-	-	538 847
Loans and advances to customers	-	45 698	14 266 366	-	14 312 064
Financial assets held for trading	50 950	30 056	-	-	81 006
Available-for-sale financial assets	2 993 449	487 405	4 975 447	81 251	8 537 552
Hedging derivatives	-	32	-	-	32
Held-to-maturity investments	17 651	-	-	-	17 651
Investments in associated companies and others	-	-	-	419 183	419 183
	<u>3 923 472</u>	<u>563 191</u>	<u>19 241 813</u>	<u>500 434</u>	<u>24 228 910</u>
Financial liabilities					
Deposits from central banks	2 776 576	-	-	-	2 776 576
Deposits from other credit institutions	2 604 332	71 491	-	-	2 675 823
Deposits from customers	-	84 019	12 492 405	-	12 576 424
Debt securities issued	-	106 177	1 494 498	-	1 600 675
Financial liabilities relating to transferred assets	-	-	4 110 776	-	4 110 776
Financial liabilities held for trading	1 844	43 954	-	-	45 798
Hedging derivatives	-	1 119	-	-	1 119
Other subordinated debt	-	-	333 511	-	333 511
	<u>5 382 752</u>	<u>306 760</u>	<u>18 431 190</u>	<u>-</u>	<u>24 120 702</u>

The following table summarises, by valuation levels for each group of assets and liabilities of CEMG their fair values as at 31 December 2014:

(Thousands of Euro)

Dec 2014					
	Level 1	Level 2	Level 3	Financial instruments at cost	Book value
Financial assets					
Cash and deposits at central banks	203 338	-	-	-	203 338
Loans and advances to credit institutions repayable on	54 868	-	-	-	54 868
Loans and advances to credit institutions	780 988	-	-	-	780 988
Loans and advances to customers	-	-	14 655 838	-	14 655 838
Financial assets held for trading	6 763	76 790	-	-	83 553
Available-for-sale financial assets	3 553 903	641 858	3 105 992	89 743	7 391 496
Hedging derivatives	-	60	-	-	60
Held-to-maturity investments	17 333	-	-	-	17 333
Investments in associated companies and others	-	-	-	419 183	419 183
	<u>4 617 193</u>	<u>718 708</u>	<u>17 761 830</u>	<u>508 926</u>	<u>23 606 657</u>
Financial liabilities					
Deposits from central banks	2 496 886	-	-	-	2 496 886
Deposits from other credit institutions	1 548 774	89 301	-	-	1 638 075
Deposits from customers	-	95 657	13 513 487	-	13 609 144
Debt securities issued	-	196 809	1 739 663	-	1 936 472
Financial liabilities relating to transferred assets	-	-	3 075 080	-	3 075 080
Financial liabilities held for trading	561	84 739	-	-	85 300
Hedging derivatives	-	1 494	-	-	1 494
Other subordinated debt	-	388 118	-	-	388 118
	<u>4 046 221</u>	<u>856 118</u>	<u>18 328 230</u>	<u>-</u>	<u>23 230 569</u>

CEMG uses the following hierarchy for fair value with 3 levels in the valuation of financial instruments (assets and liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IRFS 13:

- Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market if the instrument, or most advantageous market for which there is access.
- Level 2: Fair value is determined based on valuation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument.
- Level 3: Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use to evaluate the same instruments, including assumptions about the inherent risks, the valuation technique used and inputs used and review processes to test the accuracy of the values obtained.

CEMG considers an active market for particular financial instruments at the measurement date, depending on business volumes and liquidity of the transactions made, the relative volatility of the prices quoted and the readiness and availability of information, the following minimum conditions should verify:

- Existence of frequent daily prices trading in the last year;
- The above quotations are exchanged regularly;
- There executable quotes from more than one entity.

A parameter used in a valuation technique is considered observable in the market, if the following conditions are met:

- If its value is determined in an active market;
- Or, if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes;
- Or, the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the preceding paragraphs.

48 Related parties transactions

CEMG provides loans during their activities to related parties. CEMG provides loans, to its employees, at interest rates that are laid down in those agreements or internal regulations for each type of operation, based on credit proposals presented by employees.

For CEMG's Board of Directors, as at 30 June 2015, the credit amounted to Euro 234 thousands (31 December 2014: Euro 242 thousands), representing a value of 0.02% equity (31 December 2014: 0.02%). These loans were granted in accordance with the legal and regulatory rules.

As at 30 June 2015, loans, guarantees and irrevocable credit lines granted by CEMG to the companies included in consolidation perimeter, amounted to Euro 678,655 thousands (31 December 2014: Euro 649,834 thousands).

As at 30 June 2015, the amount of credit granted and irrevocable credit lines granted to key elements of management amounted to Euro 4,385 thousands (31 December 2014: Euro 4,608 thousands).

Transactions with pensions fund

As part of estate's Fund and whose lessee is CEMG, the amount of income incurred on 30 June 2015 amounts to Euro 246 thousands (31 December 2014: Euro 492 thousands).

The group of companies considered as related parties by CEMG beyond the associated companies presented in note 26, as defined by IAS 24, is presented as follows:

Board of Directors:

(until 7 August 2015)

António Tomás Correia
João Carlos Martins da Cunha Neves
Jorge Humberto da Cruz Barros de Jesus Luís
Fernando Paulo Pereira Magalhães
Pedro Miguel de Almeida Alves Ribeiro

Board of Directors:

(after 7 August 2015)

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

Institutional capital owners:

Montepio Geral Associação Mutualista

Other related parties:

Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)
Banco Terra, S.A.
Bem Comum, Sociedade Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Carteira Imobiliária - FEIIA
Clínica CUF Belém, SA
Clínica de Serviços Médicos Computorizados de Belém, S.A.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Finibanco Angola, S.A.
Finipredial - Fundo de investimento Imobiliário Aberto
Fundação Montepio Geral
Fundo de Capital de Risco Montepio Crescimento
Fundo de Pensões Montepio
Fundo de Pensões Viva
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.

Germont - Empreendimentos Imobiliários, S.A.
HTA - Hóteis, Turismo e Animação dos Açores, S.A.
Iberpartners Cafés - S.G.P.S., S.A.
Leacock, Lda
Lestinvest, S.G.P.S., S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Lykeion - Centro de Conhecimento Unipessoal, Lda
MG Investimentos Imobiliários, S.A.
Moçambique Companhia de Seguros, SARL
Montepio - Capital de Risco, SCR, S.A.
Montepio Arrendamento - FIIAH
Montepio Arrendamento II - FIIAH
Montepio Arrendamento III - FIIAH
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Montepio Gestão de Activos - S.G.F.I., S.A.
Montepio Gestão de Activos Imobiliários, ACE
Montepio Holding, S.G.P.S., S.A.
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxiliares, S.A.
Montepio Investimento, S.A.
Montepio Recuperação de Crédito, ACE
Montepio Seguros, S.G.P.S., S.A.
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.
N Seguros, S.A.
Naviser - Transportes Marítimos Internacionais, S.A.
NEBRA, Energias Renovables, S.L.
Nova Câmbios, S.A.
OBOL Invest
PEF - Fundo de Investimento Imobiliário Fechado
Pinto & Bulhosa, S.A.
Polaris - Fundo de Investimento Imobiliário Fechado
Residências Montepio, Serviços de Saúde, S.A.
Sagies, S.A.
SIBS - SGPS, S.A.
Silvip, S.A.
Sociedade Portuguesa de Administrações, S.A.
Unicre - Instituição Financeira de Crédito, S.A.

As at 30 June 2015, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits with other credit institutions, Advances with other credit institutions, Financial assets held for trading, Financial assets available for sale, Loans and advances to customers and Other assets are analysed as follows:

(Thousands of Euro)

Companies	Jun 2015					
	Deposits with other financial institutions	Investments with other financial institutions	Held for trading financial assets	Available for sale financial assets	Loans to customers	Other assets
Board of Directors: (until 7 August 2015)	-	-	-	-	234	-
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.L.)	-	3 701	-	-	-	-
Banco Terra, S.A.	-	-	-	-	-	-
Bosimo – Gestão de Ativos, S.A.	-	-	-	-	1	-
Finbanco Angola, S.A.	6 669	22 340	-	-	-	-
Finipredial – Fundo de investimento Imobiliário Aberto	-	-	-	-	34 554	112
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	-	-	1	-
Germont – Empreendimentos Imobiliários, S.A.	-	-	-	-	20 688	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	-	-	-	-	232	-
Iberpartners Cafés S.G.P.S., S.A.	-	-	-	-	1 610	-
Lestinvest, S.G.P.S., S.A.	-	-	-	-	55 159	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	-	-	1	-
Lusitania, Companhia de Seguros, S.A.	-	-	-	-	1	-
Montepio Crédito – Instituição Financeira de Crédito, S.A.	-	103 569	6 189	1 625	169 574	13
Montepio Geral Associação Mutualista	-	-	-	-	4	20 000
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	150 395	9
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxiliares, S.A.	-	-	-	-	13 730	-
Montepio Investimento, S.A.	-	64 001	-	-	-	7 455
Montepio Recuperação de Crédito, ACE	-	-	-	-	-	6 321
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	-	-	-	-	-	161
Nova Câmbios, S.A.	-	-	-	-	1 999	-
PEF – Fundo de Investimento Imobiliário Fechado	-	-	-	-	70	-
Polaris – Fundo de Investimento Imobiliário Fechado	-	-	-	-	5 703	-
Residências Montepio, Serviços de Saúde, S.A.	-	-	-	-	700	-
	6 669	193 611	6 189	1 625	454 656	34 071

As at 30 June 2015, CEMG's loans with subsidiaries, represented or not by securities, included in the balances Deposits from other credit institutions, Deposits from customers, Debt securities issued, Other subordinated liabilities, and Other liabilities are analysed as follows:

(Thousands of Euro)

Jun 2015				
Companies	Deposits from other credit institutions	Deposits from customers	Debt securities issued and other subordinated liabilities	Other liabilities
Board of Directors: (until 7 August 2015)	-	249	-	-
Board of Directors: (after 7 August 2015)	-	509	45	-
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	517 135	-	-	-
Bolsimo – Gestão de Ativos, S.A.	-	5 605	-	-
Carteira Imobiliária – FEIIA	-	841	-	-
Clínica CUF Belém, S.A.	-	5	-	-
Finibanco Angola, S.A.	28 103	-	-	-
Finipredial – Fundo de investimento Imobiliário Aberto	-	334	-	18
Fundação Montepio Geral	-	1 650	-	-
Fundo de Capital de Risco Montepio Crescimento	-	12 348	-	-
Fundo de Pensões Montepio	-	29 058	3 098	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	3 243	-	-
Germont – Empreendimentos Imobiliários, S.A.	-	841	-	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	-	118	-	-
Lestinvest, S.G.P.S., S.A.	-	42	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	46 817	21 250	-
Lusitania, Companhia de Seguros, S.A.	-	78 455	13 749	-
Montepio - Capital de Risco, Sociedade Capital de Risco, S.	-	272	-	-
Montepio Arrendamento – FIIAH	-	8 774	-	-
Montepio Arrendamento II – FIIAH	-	175 639	-	-
Montepio Arrendamento III – FIIAH	-	146 234	-	-
Montepio Crédito – Instituição Financeira de Crédito, S.A.	-	1 423	-	5
Montepio Geral Associação Mutualista	-	346 107	1 588 211	20 752
Montepio Gestão de Ativos – S.G.F.I., S.A.	-	1 652	-	-
Montepio Gestão de Ativos Imobiliários, ACE	-	2 173	-	-
Montepio Holding, S.G.P.S., S.A.	-	23 626	14 120	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxiliares, S.A.	-	389	-	-
Montepio Investimento, S.A.	4 392	-	26 143	259
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	-	125	-	-
Montepio Recuperação de Crédito, ACE	-	5 696	-	1 544
Montepio Seguros, S.G.P.S., S.A.	-	7	-	-
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	-	6 181	-	-
N Seguros, S.A.	-	361	220	-
Nova Câmbios, S.A.	-	544	302	-
PEF – Fundo de Investimento Imobiliário Fechado	-	2	-	-
Polaris – Fundo de Investimento Imobiliário Fechado	-	10	-	-
Residências Montepio, Serviços de Saúde, S.A.	-	110	-	-
SIBS – S.G.P.S., S.A.	-	2 546	-	-
Silvip, S.A.	-	1 730	-	-
Sociedade Portuguesa de Administrações, S.A.	-	11	-	-
	549 630	903 727	1 667 138	22 578

As at 31 December 2014, debts held by CEMG on related parties, represented or not by securities, included in items Deposits with other financial institutions, Investments with other financial institutions, Financial assets held for trading, Financial assets available for sale, Loans and advances to customers and Other assets are analysed as follows:

(Thousands of Euro)

Companies	Dec 2014					
	Deposits with other financial institutions	Investments with other financial institutions	Held for trading financial assets	Available for sale financial assets	Loans to customers	Other assets
Board of Directors: (until 7 August 2015)	-	-	-	-	242	-
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.L.)	-	3 701	-	-	-	-
Bolsimo – Gestão de Ativos, S.A.	-	-	-	-	1	-
Carteira Imobiliária – FEIIA	-	-	-	-	-	1 871
Finibanco Angola, S.A.	144	16 338	-	-	-	-
Finipredial – Fundo de investimento Imobiliário Aberto	-	-	-	-	34 553	25
Germont – Empreendimentos Imobiliários, S.A.	-	-	-	-	20 689	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	-	-	-	-	1 152	-
Iberpartners Cafés S.G.P.S., S.A.	-	-	-	-	1 622	-
Lestinvest, S.G.P.S., S.A.	-	-	-	-	53 977	-
Lusitania Vida, Companhia de Seguros, S.A.	-	-	-	-	1	-
Montepio Crédito – Instituição Financeira de Crédito, S.A.	-	97 002	6 129	1 469	175 807	-
Montepio Geral Associação Mutualista	-	-	-	-	3	-
Montepio Holding, S.G.P.S., S.A.	-	-	-	-	133 975	9
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxiliares, S.A.	-	-	-	-	13 591	-
Montepio Investimento, S.A.	-	200 000	-	-	-	6 981
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	-	-	-	-	-	173
Nebra, Energias Renováveis, SL	-	-	-	-	1 756	-
Nova Câmbios, S.A.	-	-	-	-	2 077	-
PEF – Fundo de Investimento Imobiliário Fechado	-	-	-	-	40	-
Polaris – Fundo de Investimento Imobiliário Fechado	-	-	-	-	5 603	-
Residências Montepio, Serviços de Saúde, S.A.	-	-	-	-	752	-
	144	317 041	6 129	1 469	445 841	9 059

As at 31 December 2014, credits held by CEMG on related parties, represented or not by securities, included in items Deposits with other financial institutions, Deposits from customers, Debt securities issued, Other subordinated liabilities and Other assets are analysed as follows:

(Thousands of Euro)

Companies	Dec 2014			
	Deposits from other credit institutions	Deposits from customers	Debt securities issued and other subordinated liabilities	Other liabilities
Board of Directors: (until 7 August 2015)	-	519	-	-
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (L.F.I.)	564 084	-	-	-
Bolsimo – Gestão de Ativos, S.A.	-	3 265	-	-
Carteira Imobiliária – FEIIA	-	857	-	32 662
Finibanco Angola, S.A.	33	-	-	-
Finibanco Vida – Companhia de Seguros de Vida, S.A.	-	2 881	1 000	-
Finipredial – Fundo de investimento Imobiliário Aberto	-	1 404	-	-
Fundação Montepio Geral	-	1 092	18	-
Fundo de Pensões Montepio	-	43 478	6 448	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	3 087	-	-
Germont – Empreendimentos Imobiliários, S.A.	-	642	-	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	-	10	-	-
Lestinvest, S.G.P.S., S.A.	-	21	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	62 401	48 050	-
Lusitania, Companhia de Seguros, S.A.	-	23 328	13 749	-
Montepio - Capital de Risco, Sociedade Capital de Risco, S.	-	224	-	-
Montepio Arrendamento – FIIAH	-	7 340	-	-
Montepio Arrendamento II – FIIAH	-	175 197	-	-
Montepio Arrendamento III – FIIAH	-	145 827	-	-
Montepio Crédito – Instituição Financeira de Crédito, S.A.	-	2	-	442
Montepio Geral Associação Mutualista	-	635 396	1 493 403	10 748
Montepio Geral Investimentos Imobiliários, S.A.	-	8	-	-
Montepio Gestão de Ativos – S.G.F.I., S.A.	-	1 788	-	-
Montepio Gestão de Ativos Imobiliários, ACE	-	1 730	-	-
Montepio Holding, S.G.P.S., S.A.	-	2 732	26 060	-
Montepio Imóveis – Sociedade Imobiliária	-	393	-	-
Montepio Investimento, S.A.	6 740	-	-	-
Montepio Mediação – Sociedade Mediadora	-	509	-	-
Montepio Recuperação de Crédito, ACE	-	35	-	2 148
Montepio Seguros, S.G.P.S., S.A.	-	4 919	-	-
Montepio Valor – Sociedade Gestora	-	10 375	-	-
N Seguros, S.A.	-	336	4 720	-
Nova Câmbios, S.A.	-	1 074	302	-
PEF – Fundo de Investimento Imobiliário Fechado	-	2	-	-
Polaris – Fundo de Investimento Imobiliário Fechado	-	15	-	-
Residências Montepio, Serviços de Saúde, S.A.	-	202	-	-
SIBS – S.G.P.S., S.A.	-	2 804	-	-
Silvip, S.A.	-	2 006	-	-
	570 857	1 135 899	1 593 750	46 000

As at 30 June 2015, credits held by CEMG on related parties, included in Interest and similar expense, Interest and similar income and Fee and commission income are analysed as follows:

Companies	(Thousands of Euro)		
	Jun 2015		
	Interest and similar income	Interest and similar expense	Fee and commission income
Board of Directors	-	3	-
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	20	11 070	43
Finibanco Angola, S.A.	221	-	685
Finipredial – Fundo de investimento Imobiliário Aberto	101	-	709
Fundo de Capital de Risco Montepio Crescimento	-	8	-
Fundo de Pensões Montepio	-	231	1
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	25	5
Germont – Empreendimentos Imobiliários, S.A.	68	-	1
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	45	-	2
Iberpartners Cafés S.G.P.S., S.A.	(12)	-	-
Lestinvest, S.G.P.S., S.A.	880	-	1
Lusitania Vida, Companhia de Seguros, S.A.	-	410	-
Lusitania, Companhia de Seguros, S.A.	5	196	65
Montepio Arrendamento – FIIAH	-	25	109
Montepio Arrendamento II – FIIAH	-	884	237
Montepio Arrendamento III – FIIAH	-	793	237
Montepio Crédito – Instituição Financeira de Crédito, S.A.	4 848	47	3 148
Montepio Geral Associação Mutualista	-	35 493	21 716
Montepio Gestão de Activos – S.G.F.I., S.A.	(1)	13	3
Montepio Gestão de Activos Imobiliários, ACE	-	-	778
Montepio Holding, S.G.P.S., S.A.	2 791	-	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxiliares, S.A.	240	-	(1)
Montepio Investimento, S.A.	35	-	986
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	-	1	-
Montepio Recuperação de Crédito, ACE	-	-	14 424
Montepio Seguros, S.G.P.S., S.A.	-	-	48
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	-	87	1 432
N Seguros, S.A.	-	-	4
Nova Câmbios, S.A.	50	-	53
PEF – Fundo de Investimento Imobiliário Fechado	1	-	6
Polaris – Fundo de Investimento Imobiliário Fechado	120	-	2
Residências Montepio, Serviços de Saúde, S.A.	11	-	35
SIBS – S.G.P.S., S.A.	-	11	1
Silvip, S.A.	-	11	-
	9 423	49 308	44 730

As at 30 June 2014, income and expenses of CEMG on related parties, included in items Interest and similar expense, Interest and similar income and Fee commission income are analysed as follows:

(Thousands of Euro)

Companies	Jun 2014		
	Interest and similar income	Interest and similar expense	Fee and commission income
Banco Montepio Geral – Cabo Verde, Soc. Unipessoal, S.A. (IFI)	-	-	22
Finibanco Angola, S.A.	-	5	256
Finibanco Vida – Companhia de Seguros de Vida, S.A.	2	107	45
Finipredial – Fundo de investimento Imobiliário Aberto	1 423	2	-
Fundação Montepio Geral	-	3	-
Fundo de Pensões CEMG - Gerido pela Futuro	31	2 507	2
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	4	50	-
Germont – Empreendimentos Imobiliários, S.A.	102	-	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	2	-	-
Iberpartners Cafés S.G.P.S., S.A.	62	-	3
MG Investimentos Imobiliários, S.A.	-	-	1
Montepio Arrendamento – FIIAH	262	209	-
Montepio Arrendamento II – FIIAH	4	59	-
Montepio Arrendamento III – FIIAH	8	109	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	4 292	-	202
Montepio Geral Associação Mutualista	385	36 392	2 916
Montepio Gestão de Activos – S.G.F.I., S.A.	-	20	2
Montepio Gestão de Activos Imobiliários, ACE	-	-	157
Montepio Holding, S.G.P.S., S.A.	2 441	6	83
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxiliares, S.A.	3 517	2	-
Montepio Investimento, S.A.	290	8	198
Montepio Recuperação de Crédito, ACE	-	-	3 474
Montepio Seguros, S.G.P.S., S.A.	354	985	473
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	1	128	422
N Seguros, S.A.	1	58	21
NEBRA, Energias Renovables, S.L.	56	-	17
Nova Câmbios, S.A.	68	-	19
Nutre S.G.P.S., S.A.	230	-	-
Residências Montepio, Serviços de Saúde, S.A.	62	1	82
SIBS - Sociedade Interbancária de Serviços, S.A.	-	45	-
	13 597	40 696	8 395

The costs with salaries and other benefits attributed to CEMG key management personnel, as well as its transactions, are presented in note 11.

According to the principle of fair value, every transaction concerning related parties is at market prices.

During 2015 and 2014, there were no transactions with pension's fund of CEMG.

49 Securitisation transactions

As at 31 December 2014, there are nine securitisation transactions, eight of which originated in CEMG and two in Montepio Holding (previously known as Grupo Finibanco Holding), currently integrated into CEMG following the success of General and Voluntary Initial Public Offering on the equity representative shares of Montepio Holding, S.G.P.S., S.A. (previously known as Finibanco Holding S.G.P.S., S.A.) and transmission of almost all assets and liabilities for CEMG, as described in note 1 a).

In the following paragraphs there are some additional details regarding these securitisation transactions.

As at 19 December, 2002, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 650,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.016% of the referred nominal value.

As at 29 September, 2003, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 700,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0286% of the referred nominal value.

As at 30 March, 2007, Caixa Económica Montepio Geral had settled a securitisation operation with “Sagres – Sociedade de Titularização de Créditos, S.A.”, Pelican Mortgage no. 3. The referred agreement consists in a mortgage credit transfer for a period of 47 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 750,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0165% of the referred nominal value.

As at 20 May, 2008, Caixa Económica Montepio Geral had settled a securitisation operation with “Sagres – Sociedade de Titularização de Créditos, S.A.”, Pelican Mortgage no. 4. The referred agreement consists in a mortgage credit transfer for a period of 48 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.083% of the referred nominal value.

As at 9 December 2008, Finibanco SA. sold a mortgage credit portfolio to «Tagus – Sociedade de Titularização de Créditos, S.A.» in the amount of Euro 233,000 thousands (Aqua Mortgage No. 1). The total period of this operation is 55 years, with a revolving period of 2 years.

As at 25 March 2009, Caixa Económica Montepio Geral had settled a securitisation operation with “Sagres – Sociedade de Titularização de Créditos, S.A.”, Pelican Mortgage no. 5. The referred agreement consists in a mortgage credit transfer for a period of 52 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0564% of the referred nominal value.

As at 5 March 2012, Caixa Económica Montepio Geral had settled a securitisation operation with “Sagres – Sociedade de Titularização de Créditos, S.A.”, Pelican Mortgage No. 6. The referred agreement consists in a mortgage credit transfer for a period of 51 years, without revolving period and

with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,040,200 thousands. The transfer price by which the loans were transferred was their nominal value, including the selling costs which represent 0.1083% of the Asset Backed Notes.

As at 7 May 2014, «Caixa Económica Montepio Geral» and «Crédito Montepio» celebrated with «Tagus - Sociedade de Titularização, SA», a contract for the provision of consumer loans originated by itself within a securitisation of credits (Pelican Finance No. 1). The total period of operation is 14 years, with revolving period of 18 months and with a limit (Aggregate Principal Amount Outstanding) of Euro 294,000 thousand. The sale was made at par with the costs of the initial sale process represented 0.1871% of Asset Backed Notes.

As at 5 March 2015, Caixa Económica Montepio signed with “Sagres - Sociedade de Titularização de Créditos, S.A.” a securitisation contract for small and medium-sized enterprises, Pelican SME No. 2. The total period of operation is 28 years with revolving period of 24 months and with a limit (Aggregate Principal Amount Outstanding) of Euro 1,124,300 thousands. The sale was made at par with the cost of the initial sales process represented 0.0889% of Asset Backed Notes.

The entity that guarantees the debt service (servicer) of this operations is «Caixa Económica Montepio Geral» assuming the collection and distribution of credits assigned amounts received by deposits, to Sociedades Gestoras de Fundos de Titularização de Créditos (Pelican Mortgages No. 1, Pelican Mortgages No. 2) and to Sociedades de Titularização de (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican Mortgages No. 6, Aqua Mortgages No. 1, Pelican Finance No. 1 and Pelican SME No. 2).

As at 31 December 2004, in accordance with accounting principles, as established by Bank of Portugal, the assets, loans and securities transfer under above transactions were derecognized. The acquired securities under these transactions were classified as financial assets held-to-maturity and provision in accordance with Regulation no. 27/2000 of Bank of Portugal.

In accordance with IFRS 1, CEMG follows derecognised criteria to individual statements to all transactions occur until 1 January 2004. For all the transactions after this date, CEMG follows de guidance of IAS 39 concerning derecognise, which refers that recognition have to occur either when risks and rewards have substantially been transferred or has not retained control of the assets.

As at 30 June 2015, the securitisation operations are presented as follows:

(Thousands of Euro)

Issue	Settlement date	Currency	Asset transferred	Inicial Amount
<i>Pelican Mortgages No. 1</i>	December 2002	Euro	Mortgage credit	653 250
<i>Pelican Mortgages No. 2</i>	September 2003	Euro	Mortgage credit	705 600
<i>Pelican Mortgages No. 3</i>	March 2007	Euro	Mortgage credit	762 375
<i>Pelican Mortgages No. 4</i>	May 2008	Euro	Mortgage credit	1 028 600
<i>Aqua Mortgage No. 1</i>	December 2008	Euro	Mortgage credit	236 500
<i>Pelican Mortgages No. 5</i>	March 2009	Euro	Mortgage credit	1 027 500
<i>Pelican Mortgages No. 6</i>	February 2012	Euro	Mortgage credit	1 107 000
<i>Pelican Finance No. 1</i>	May 2014	Euro	Consumer credit	185 300
<i>Pelican SME No. 2</i>	March 2015	Euro	Small Companies	1 124 300
				6 830 425

The impact of loans transferred under the securitisation programs in the Loans and advances to customers, is analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
<i>Pelican Mortgages No.1</i>	59 106	63 656
<i>Pelican Mortgages No.2</i>	121 984	128 314
	181 090	191 970

As at 30 June 2015, the notes issued by the special purpose vehicles, are analysed as follows:

Issue	Bond Issued	Issue amount	Currents amount	CEMG's interest retention	Maturity year	Rating (Initial)				Rating (Current)			
		Euro	Euro	Euro		Fitch	Moody's	S&P	DBRS	Fitch	Moody's	S&P	DBRS
<i>Pelican Mortgages No 1</i>	Class A	611,000,000	15,811,777	6,354,989	2037	AAA	Aaa	n.a.	n.a.	A+	A1	n.a.	n.a.
	Class B	16,250,000	16,250,000	-	2037	AAA	A2	n.a.	n.a.	A+	A1	n.a.	n.a.
	Class C	22,750,000	22,750,000	-	2037	BBB+	Baa2	n.a.	n.a.	A	Baa1	n.a.	n.a.
	Class D	3,250,000	3,250,000	3,250,000	2037	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Mortgages No 2</i>	Class A	659,750,000	80,212,047	33,612,946	2036	AAA	Aaa	AAA	n.a.	A+	A1	A	n.a.
	Class B	17,500,000	17,500,000	10,360,000	2036	AA+	A1	AA-	n.a.	A+	A1	BBB+	n.a.
	Class C	22,750,000	22,750,000	8,600,000	2036	A-	Baa2	BBB	n.a.	BBB+	Ba2	BB	n.a.
	Class D	5,600,000	5,600,000	5,600,000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Mortgages No 3</i>	Class A	717,375,000	272,400,368	132,097,139	2054	AAA	Aaa	AAA	n.a.	BBB+	Baa3	BBB+	n.a.
	Class B	14,250,000	7,032,992	6,761,543	2054	AA-	Aa2	AA-	n.a.	BBB-	B1	BB	n.a.
	Class C	12,000,000	5,922,519	5,709,309	2054	A	A3	A	n.a.	BB	B3	BB	n.a.
	Class D	6,375,000	3,146,338	3,146,338	2054	BBB	Baa3	BBB	n.a.	B	Caa2	B+	n.a.
	Class E	8,250,000	-	-	2054	BBB-	n.a.	BBB-	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	4,125,000	4,125,000	4,125,000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Mortgages No 4</i>	Class A	832,000,000	577,165,702	577,165,702	2056	AAA	n.a.	n.a.	AAA	A	n.a.	n.a.	A
	Class B	55,500,000	51,092,869	51,092,869	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60,000,000	55,235,535	55,235,535	2056	A-	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	25,000,000	23,014,806	23,014,806	2056	BBB	n.a.	n.a.	n.a.	B+	n.a.	n.a.	n.a.
	Class E	27,500,000	25,316,287	25,316,287	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28,600,000	28,600,000	28,600,000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Mortgages No 5</i>	Class A	750,000,000	510,767,234	510,767,234	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAH
	Class B	195,000,000	178,889,661	178,889,661	2061	BBB-	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class C	27,500,000	25,228,029	25,228,029	2061	B	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	27,500,000	25,228,029	25,228,029	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4,500,000	199,149	199,149	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23,000,000	23,000,000	23,000,000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Mortgages No 6</i>	Class A	750,000,000	644,172,553	644,172,553	2063	A	n.a.	A-	AA	A+	n.a.	A-	AA
	Class B	250,000,000	250,000,000	250,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1,800,000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65,000,000	65,000,000	65,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40,200,000	40,200,000	40,200,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Aqua Mortgage No 1</i>	Class A	203,176,000	119,554,361	119,554,361	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A	AAH
	Class B	29,824,000	28,980,484	28,980,484	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3,500,000	3,500,000	3,500,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican Finance No 1</i>	Class A	121,800,000	121,800,000	121,800,000	2028	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class B	54,700,000	54,700,000	54,700,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	8,800,000	8,800,000	8,800,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Pelican SME No 2</i>	Class A	545,900,000	545,900,000	545,900,000	2043	A+	n.a.	n.a.	A L	A+	n.a.	A-	A L
	Class B	76,400,000	76,400,000	76,400,000	2043	A	n.a.	n.a.	n.a.	A	n.a.	n.a.	n.a.
	Class C	87,300,000	87,300,000	87,300,000	2043	BBB	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	398,500,000	398,500,000	398,500,000	2043	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	16,200,000	18,100,000	18,100,000	2043	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

50 Risk management

CEMG is subject to several risks during the course of its business.

CEMG's risk management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

In this connection, monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which CEMG's business is subject are of particular importance.

The Risk Division (DRI) is to support the Executive Board, in decision-making associated with the management of different types of risk inherent in the business within the Group CEMG. The DRI has three departments and a nucleus:

- Credit Risk Department: responsible for development and integration in decision-making of internal models of credit risk analysis, and internal reports on credit risk;
- Global Risks Department: ensure the examination and supervisory reporting of liquidity risks, market, interest rate and solvency, as well as their integration into decision-making;
- Business Risk Department: responsible for the definition of analysis policies, lending, operationalisation management system, measurement of operational risk and business continuity cycle;
- Companies rating core: responsible for the financial statements integration in Institution's software, for client's risk rating of the companies' segments and businesses, and for developing and applying methods of assigning exposure limits to companies.

This Direction assures the analysis and management of Market Risks, Liquidity, Interest Rate, Credit and Operational, providing counselling to Executive Board of Directors, through the proposal of normatives and models for management of different risks, the management reports elaboration which are used to decision making of the Risk Committee and Internal Control Committee.

DRI equally assures a set of prudential reports to the supervision authority, particularly in own funds requisites, control of high risks and related parts funding, liquidity risk, interest rate risk, country risk, counterparty risk, self-valuation of adequacy of Own Capital, Market Discipline, Recovery Plan and Resolving Plan.

Also in the context of risk management, the DRI:

- Defines and proposes the adoption of normative and other support instruments to credit decision, namely, proposes the adjustment of Credit Concession Standards, having in count the activity evolution, market conditions and competition practices;
- Creates, develops and monitorises the performance of internal rating and scoring models, in credit origination, such as the systems of credit risk follow up;
- Proposes guiding principles and intervention measures by credit portfolio, client segment, activity sector and credit line, as well as the pricing adjustment of operations for credit to risk, according to strategic guide lines pre-defined;

- Provides opinions on standards procedures, new credit products, financial lines and existent's revision;
- Develops monitoring systems of credit, namely, behavioural scoring for particulars and watch list for companies, and performs the monitoring;
- Develops risk rating systems for particulars and business's (reactive and behavioral scoring) and companies (internal ratings);
- Includes the internal systems of operational risk evaluation, adapted to the Supervision requirements;
- Provides information to decision making about the definition and implementation of strategies to risk management and definition of Sala's regulation, according to the taken decisions in the context of Assets and Liabilities Management and the evolution estimative of the assets markets relevant to the activity of Group's entities, and offers technical support, when required;
- Provides information about Group's risk analysis, as well as evolution on the assets market where the main risks are concentrated, for presentation to Rating agencies, to institutional investors, external auditors, supervision authorities and inclusion in the Financial Statements;
- Produces statistical analysis about credit risk of portfolios to be included in securitisation operations, particularly addressing over frequencies related to default or loss severity.

Additionally, for credit risk management, was created the «Direcção de Análise de Crédito», which ensures the assessment of credit proposals from companies and individuals.

In particular, it was developed reports referred in Pillar II – Capital adequacy, and Pillar III – Market Discipline. Under Pillar II were reported to Bank of Portugal the reports of Process Self-Evaluation of the Capital Market («ICAAP»), Stress Testing and Risk Concentration as Instruction no. 5/2011, Bank of Portugal. At the level of risk concentration there is a positive development in the main types of concentration – Sectorial, Geographic and Individual. Under Pillar III, was made public the report of Market Discipline, detailing the types and levels of risk incurred in the activity, as well as the processes, structure and organisation of risk management.

CEMG has also been following the recommendations of the Basel Committee at the level of the new prudential legislation, commonly referred to as Basel III, with reference to the implementation of Regulation No 575/2013 of European Parliament, in particular with regard to liquidity levels, capital assessment and calculation of capital requirements. CEMG has also regularly participated in Quantitative Impact Studies (QIS) Basel III, developed by Bank of Portugal in accordance with the guidelines of the European Bank Association (EBA), so it was possible to anticipate the impacts of the adoption of new regulations, in terms of liquidity and prudential capital level.

Main types of risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects CEMG's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Property – Property risk results from possible negative impacts on profit and loss, or at the CEMG's capital level, due to market prices fluctuation on real property.

Operational – Operational risk is the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal organisation

The Executive Board of Directors is responsible for risk management strategy and policies, and it is advised by the Risk Analysis and Management Division in these fields, that undertake the analysis and the risk management from the standpoint of CEMG, including the coordination of the Risk Committee and Internal Control and reporting the level of the Asset and Liability Committee («ALCO») and the Internal Control Committee.

The Internal Auditing function is ensured by the Internal Audit and Inspection Department and integrates the internal control monitorisation process, through the execution of complementary independent evaluations over the performance of controls, identifying deficiencies and recommendations, submitting its conclusions to the Executive Board of Directors.

The Internal Audit and Inspection Department is also responsible for performing audits to the Risk Management processes, according with the guidance provided by the supervision entities, including the independent review of risk assessment internal models (Independent Review Function) and to calculate the equity minimum requirements for risk hedging. Based on the results obtained from the audits, measures are recommended and their implementation is followed in order to ensure that necessary measures are taken and managed properly.

The compliance function ("compliance control"), performed by Compliance Office depending on the Executive Board of Directors, takes primary responsibility for compliance risk management, which translates into the risk of occurrence of legal or regulatory penalties, financial loss or reputation as a result of failure to comply with the applicable laws, regulations, code of conduct and good banking practices.

The compliance risk is mitigated encouraging a culture of compliance, fostering the respect of group's entities and their employees by the framework applicable through an independent intervention, together with all organic units.

It is part of compliance's functions to define the procedures and mechanisms of compliance control, and their monitoring, reporting immediately to the Executive Board of Directors information about any possible violation of statutory obligations, rules of conduct and client relationship or other duties that can lead the institution or the employees in penalties.

Depending on the nature and severity of the risk, plans, programs or actions shall be drawn up, supported by information systems, and procedures shall be defined to provide a higher degree or reliably to risk management measures which are defined whenever necessary.

Risk evaluation

Credit Risk – Retail

Credit risk models play a significant role in the credit decision process. Indeed, the decision process concerning the credit portfolio depends on a group of policies based on scoring models developed to individual and business clients and the rating for the corporate sector.

Credit decisions are dependent upon risk ratings and compliance with various rules regarding financial capacity and applicants' behavior. In order to support commercial strategies reactive scoring models are also used, namely in the main individual credit portfolios, such as mortgage and individual loans, distinguishing between customers and non-customers (or new customers). In the case of credit card the correspondent reactive scoring model is being reviewed. Additionally, in the individual credit portfolios, commercial performance and credit risk analysis are supported by behavior scorings.

For corporate credit, internal rating models are used to medium and large companies, distinguishing construction from the other activity sectors, while for customers «Empresários em nome individual» and micro business is applied the scoring model business.

CEMG's credit risk exposure can be analysed as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Deposits with Other credit institutions	58 886	54 868
Deposits with banks	538 847	780 988
Loans and advances to customers	14 255 064	14 655 838
Financial assets held for trading	73 028	77 438
Available-for-sale financial assets	7 122 178	6 033 344
Hedging derivatives	32	60
Held-to-maturity investments	17 651	17 333
Other assets	269 638	198 719
Guarantees granted	452 585	434 475
Documentary credits	36 663	16 648
Irrevocable commitments	713 635	723 199
	23 538 207	22 992 910

The analysis of the risk exposure by sector of activity, as at 30 June 2015, can be analysed as follows:

(Thousands of Euros)

Activity sector	Jun 2015						
	Loans and advances to costumers		Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets		Held-to-maturity investments
	Gross Amount	Impairment (a)	Book Value	Book Value	Gross Amount	Impairment	Book Value
Agriculture	151 130	(12 176)	-	-	-	-	2 920
Mining	16 072	(1 321)	-	2 314	-	-	1 647
Food, beverage and tobacco	220 860	(19 555)	-	10 524	-	-	2 984
Textiles	99 492	(13 495)	-	-	-	-	1 377
Shoes	42 647	(4 561)	-	-	-	-	62
Wood and cork	50 599	(8 036)	-	-	-	-	1 128
Printing and publishing	107 596	(9 753)	-	-	-	-	418
Petroleum refining	86	-	-	98 382	-	-	-
Chemicals and rubber	138 049	(7 188)	-	-	-	-	2 236
Non-metallic minerals	65 764	(5 466)	-	-	-	-	2 476
Basis metallurgic industries and metallic products	162 520	(20 083)	-	63 995	-	-	10 156
Production of machinery	46 733	(3 312)	-	-	-	-	919
Production of transport material	37 449	(5 918)	-	2 233	-	-	772
Other transforming material	53 150	(6 939)	-	67 050	-	-	1 359
Electricity, gas and water	138 324	(1 703)	-	330 468	-	-	1 102
Construction	1 424 945	(378 167)	-	21 273	(998)	-	187 685
Wholesale and retail	1 285 303	(189 290)	-	5 273	-	-	71 639
Tourism	408 910	(33 907)	-	-	-	-	7 928
Transports	430 497	(141 462)	-	30 070	-	-	9 216
Communications and information activities	74 702	(7 420)	-	46 788	-	-	4 294
Financial activities	1 340 223	(228 304)	30 056	790 258	(8 736)	-	133 303
Real estates activities	788 524	(209 132)	-	520	-	-	20 201
Services provided to companies	532 647	(49 103)	514	2 978	-	-	10 651
Public services	139 060	(3 172)	42 458	1 941 181	(11 171)	17 651	419
Other activities of collective services	476 138	(17 618)	-	-	-	-	7 622
Mortgage loans	7 528 485	(198 421)	-	3 634 084	(36 883)	-	5 707
Others	22 131	(4 249)	-	132 575	-	-	1 027
Total	15 782 036	(1 579 751)	73 028	7 179 966	(57 788)	17 651	489 248

(a) includes provision for impairment in the amount of Euro 1469751 thousands (see note 21) and the provision for general banking risks amounting to Euro 109 779 thousands (see note 37).

The analysis of the risk exposure by sector of activity, as at 31 December 2014, can be analysed as follows:

(Thousands of Euros)

Activity sector	Dec 2014						
	Loans and advances to costumers		Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets		Held-to-maturity investments
	Gross Amount	Impairment (a)	Book Value	Book Value	Gross Amount	Impairment	Book Value
Agriculture	134 726	(9 536)	-	-	-	-	3 187
Mining	35 046	(1 452)	-	8 215	-	-	1 750
Food, beverage and tobacco	227 926	(18 253)	-	13 014	-	-	3 316
Textiles	88 421	(10 914)	-	-	-	-	1 782
Shoes	37 567	(4 367)	-	-	-	-	107
Wood and cork	49 766	(9 544)	-	-	-	-	1 176
Printing and publishing	91 852	(7 718)	-	-	-	-	521
Petroleum refining	92	(1)	-	72 937	-	-	-
Chemicals and rubber	128 979	(6 204)	-	389	-	-	2 064
Non-metallic minerals	57 784	(4 828)	-	-	-	-	2 584
Basis metallurgic industries and metallic products	157 938	(16 088)	-	63 886	-	-	11 194
Production of machinery	45 191	(3 223)	-	-	-	-	1 553
Production of transport material	34 518	(5 501)	-	2 212	-	-	677
Other transforming material	47 428	(6 635)	-	67 563	-	-	2 003
Electricity, gas and water	135 753	(3 383)	-	328 486	-	-	1 081
Construction	1 558 317	(387 856)	115	21 274	(997)	-	194 507
Wholesale and retail	1 203 018	(176 708)	-	5 311	-	-	79 300
Tourism	393 771	(72 841)	-	543	-	-	8 905
Transport	430 074	(87 462)	-	59 392	-	-	15 386
Communications and information activities	68 380	(7 684)	-	65 210	-	-	1 234
Financial activities	1 477 387	(174 320)	76 790	545 008	(22 548)	-	70 840
Real estates activities	777 541	(181 077)	-	541	-	-	19 249
Services provided to companies	586 470	(43 286)	533	-	-	-	11 237
Public services	140 174	(2 931)	-	1 773 047	(8 834)	17 333	541
Other activities of collective services	487 827	(16 626)	-	-	-	-	8 247
Mortgage loans	7 576 392	(187 799)	-	2 947 066	(43 835)	-	7 575
Others	21 246	(4 804)	-	135 464	-	-	1 107
Total	15 993 584	(1 451 041)	77 438	6 109 558	(76 214)	17 333	451 123

(a) includes provision for impairment in the amount of Euro 1 333 746 thousands (see note 21) and the provision for general banking risks amounting to Euro 113 295 thousands (see note 38).

In terms of risk credit, the financial assets portfolio continued to be concentrated in sovereign bonds issued by financial institutions, essentially by the Portuguese Republic.

During 2014, there was a reduction of the nominal credit default swaps portfolio, by the maturity of several deals, with the buying and selling of credit protection decreasing to Euro 9,000 thousands. As at June 2015, in CEMG, did not exist any position in credit default swaps.

In terms of credit quality, we observed a small increase in the average rating of the counterparties, by exposure reduction to Portugal, partly mitigated by increases exposure to sovereign Italy and Spain with a superior quality than the Portuguese credit.

Overall Risks and Financial Assets

Efficient balance sheet management also involves the Assets and Liabilities Committee («ALCO»), which examines interest rate, liquidity and exchange rate risks, namely regarding to compliance with the limits set for the static and dynamic gaps calculated.

Normally the static interest rate and liquidity gaps are positive and moderate in size, with the exception of those months when payments are made relating to bond issue debt service. As for exchange rate risk, the resources obtained in different currencies are hedged as assets in the respective monetary market and for periods not exceeding those of the resources, which mean any exchange rate gaps result mainly from possible unadjustments between the hedge and resource deadlines.

Concerning risk information and analysis, regular reports are provided on the credit and market risks on the company's financial assets and those of the other members of CEMG. For the company's own portfolio, the various risk limits are defined using the Value-at-Risk («VaR») method. There are different exposure limits such as global «VaR» limits, by issuer, by asset type/class and rating. There are also limits of Stop Loss. Investment portfolio is mainly concentrated in bonds which as at 2015 represented 86.21% (31 December 2014: 87.40%) of the total's portfolio.

CEMG continuously calculates its own portfolios «VaR», given a 10-day horizon and a 99% confidence interval, by the method of historical simulation.

The following table presents the main indicators of these measures, as at 30 June 2015 and 31 December 2014:

	(Thousands of Euro)							
	Jun 2015				Dec 2014			
	June	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate gap	(2382 684)	(2382 684)	(2382 684)	(2382 684)	(1 565 700)	(1 266 807)	(967 914)	(1 565 700)

Following the recommendations of Basel II (Pillar II) and Instruction no. 19/2005, of Bank of Portugal, CEMG calculates its exposure to interest rate risk based on the methodology of CEMG of International Settlements («BIS») which requires the classification of non-trading balances and off balance positions by repricing intervals.

	(Thousands of Euro)				
	Within 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
30 June 2015					
Assets	10 656 723	4 077 519	482 849	1 174 933	1 422 421
Off balance sheet	8 425 127	302 937	90 350	173 907	-
Total	19 081 850	4 380 456	573 199	1 348 840	1 422 421
Liabilities	6 365 827	1 711 513	2 704 869	9 098 198	316 720
Off balance sheet	8 503 232	351 562	3 000	134 528	-
Total	14 869 059	2 063 075	2 707 869	9 232 726	316 720
Gap (Assets - Liabilities)	4 212 791	2 317 381	(2 134 670)	(7 883 886)	1 105 701
31 December 2014					
Assets	11 060 213	4 313 890	411 776	1 452 762	1 124 728
Off balance sheet	8 715 156	135 950	268 916	152 487	-
Total	19 775 369	4 449 840	680 692	1 605 249	1 124 728
Liabilities	7 460 280	2 177 606	2 540 454	7 633 753	116 975
Off balance sheet	8 730 961	196 895	220 000	124 652	-
Total	16 191 241	2 374 501	2 760 454	7 758 405	116 975
Gap (Assets - Liabilities)	3 584 128	2 075 339	(2 079 762)	(6 153 156)	1 007 753

Sensitivity analysis

As at 30 June 2015, based on the interest rate gaps observed, an instantaneous positive variation in the interest rates by 100 bp would cause an increase in the income statement in Euro 43,868 thousands (31 December 2014: Euro 37,039 thousands).

The following table presents the average interests, in relation to CEMG major assets and liabilities categories for the six months period ended 30 June 2015 and 31 December 2014, as well as the average balances and the income and expense for the year:

(Thousands of Euro)

Products	Jun 2015			Dec 2014		
	Average balance for the year	Average interest rate (%)	Income / Expense	Average balance for the year	Average interest rate (%)	Income / Expense
Assets						
Loans and advances to customers	15 844 418	1.43	227 060	16 214 123	3.57	579 361
Deposits	62 684	0.04	25	111 630	0.15	167
Securities portfolio	8 050 044	0.75	60 510	7 784 710	1.94	150 807
Inter-bank loans and advances	471 778	0.15	727	541 977	0.19	1 022
Swaps	-	-	47 140	-	-	110 316
Total Assets	<u>24 428 924</u>		<u>335 462</u>	<u>24 652 440</u>		<u>841 673</u>
Liabilities						
Deposits from customers	13 533 598	0.86	116 530	13 778 244	2.19	302 294
Securities deposits	5 973 710	0.80	47 884	5 869 912	2.11	123 825
Interbank deposits	3 951 853	0.54	21 351	3 628 546	0.41	14 732
Other liabilities	1 406	0.07	1	750	0.53	4
Swaps	-	-	-	-	-	106 546
Total liabilities	<u>23 460 567</u>		<u>185 766</u>	<u>23 277 452</u>		<u>547 401</u>

In relation to the foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 30 June 2015 is analysed as follows:

	(Thousands of Euro)							
	Jun 2015							
	Euro	United States Dollar	Sterling Pound	Canadian Dollar	Suisse Franc	Brazilian Real	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	251 068	8 204	1 331	911	432	284	1 459	263 689
Loans and advances to credit institutions repayable on demand	46 525	9 159	838	1 173	144	-	1 047	58 886
Loans and advances to credit institutions	514 702	24 145	-	-	-	-	-	538 847
Loans and advances to customers	14 182 927	128 435	-	-	702	-	-	14 312 064
Financial assets held for trading	76 466	4 540	-	-	-	-	-	81 006
Available-for-sale financial assets	8 469 065	1 204	138	0	946	66 199	-	8 537 552
Hedging derivatives	32	-	-	-	-	-	-	32
Held-to-maturity investments	17 651	-	-	-	-	-	-	17 651
Investments in associated companies and others	419 183	-	-	-	-	-	-	419 183
Non-current assets held for sale	832 924	-	-	-	-	-	-	832 924
Other tangible assets	34 214	-	-	-	-	-	-	34 214
Intangible assets	120 121	-	-	-	-	-	-	120 121
Deferred tax assets	402 903	-	-	-	-	-	-	402 903
Other assets	304 588	856	2	-	33	-	126	305 605
Total Assets	25 672 369	176 543	2 309	2 084	2 257	66 483	2 632	25 924 677
Liabilities by currency								
Deposits from central banks	2 776 576	-	-	-	-	-	-	2 776 576
Deposits from other credit institutions	2 548 023	83 930	7 602	35 739	514	-	15	2 675 823
Deposits from customers	12 465 824	87 520	8 868	6 579	1 749	-	5 884	12 576 424
Debt securities issued	1 600 882	243	-	-	-	-	-	1 601 125
Financial liabilities associated to transferred assets	4 110 776	-	-	-	-	-	-	4 110 776
Financial liabilities held for trading	43 744	2 054	-	-	-	-	-	45 798
Hedging derivatives	1 119	-	-	-	-	-	-	1 119
Provisions	122 728	-	-	-	-	-	-	122 728
Other subordinated debt	333 511	-	-	-	-	-	-	333 511
Other liabilities	169 286	3 851	305	206	1 206	-	102	174 956
Total Liabilities	24 172 469	177 598	16 775	42 524	3 469	-	6 001	24 418 836
Currency forward transactions	(64 952)	3 610	14 093	40 810	1 439	-	5 139	139
Currency gap	-	2 555	(372)	371	229	66 483	1 768	
<i>Stress Test</i>	-	511	(74)	74	46	13 297	354	

The stress test performed corresponds to estimate the impact of a 20% change in exchange rate of each currency against Euro. Values presented correspond to the potential impact (before tax) in equity including minority interests.

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2014 is analysed as follows:

(Thousands of Euro)								
Dec 2014								
	Euro	United States Dollar	Sterling Pound	Canadian Dollar	Suisse Franc	Brazilian Real	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	184 057	13 073	1 154	669	2 151	368	1 866	203 338
Loans and advances to credit institutions repayable on demand	47 413	5 892	288	325	590	17	343	54 868
Loans and advances to credit institutions	673 372	107 616	-	-	-	-	-	780 988
Loans and advances to customers	14 545 397	109 617	-	-	824	-	-	14 655 838
Financial assets held for trading	49 820	33 733	-	-	-	-	-	83 553
Available-for-sale financial assets	7 387 495	3 175	34	10	782	-	-	7 391 496
Hedging derivatives	60	-	-	-	-	-	-	60
Held-to-maturity investments	17 333	-	-	-	-	-	-	17 333
Investments in associated companies and others	419 183	-	-	-	-	-	-	419 183
Non-current assets held for sale	779 504	-	-	-	-	-	-	779 504
Other tangible assets	36 924	-	-	-	-	-	-	36 924
Intangible assets	117 297	-	-	-	-	-	-	117 297
Deferred tax assets	342 393	-	-	-	-	-	-	342 393
Other assets	171 496	536	15 064	42 354	-	-	5 638	235 088
Total Assets	24 771 744	273 642	16 540	43 358	4 347	385	7 847	25 117 863
Passivo por moeda								
Deposits from central banks	2 496 886	-	-	-	-	-	-	2 496 886
Deposits from other credit institutions	1 516 001	77 750	7 708	36 133	477	-	6	1 638 075
Deposits from customers	13 480 818	104 839	8 683	7 105	2 004	26	5 669	13 609 144
Debt securities issued	1 936 249	223	-	-	-	-	-	1 936 472
Financial liabilities associated to transferred assets	3 075 080	-	-	-	-	-	-	3 075 080
Financial liabilities held for trading	54 485	30 815	-	-	-	-	-	85 300
Hedging derivatives	1 494	-	-	-	-	-	-	1 494
Provisions	129 446	-	-	-	-	-	-	129 446
Current tax liabilities	12 026	-	-	-	-	-	-	12 026
Other subordinated debt	388 118	-	-	-	-	-	-	388 118
Other liabilities	216 293	60 777	36	20	2 314	-	20	279 460
Total Liabilities	23 306 896	274 404	16 427	43 258	4 795	26	5 695	23 651 501
Currency forward transactions	(5 809)	(56 572)	15 991	42 817	(1 247)	-	5 642	822
Currency gap	-	(763)	113	102	(446)	-	2 511	

Real estate risk

The real estate risk results from exposure in real estate (whether from credit recovery processes, whether investment properties) as well as real estate fund units held in securities portfolio. These exposures are regularly monitored and scenario analyses are performed on a regular basis that attempt to estimate potential impacts of changes in real estate portfolios of real estate funds, investment real estate and real estate given in exchange.

As at 30 June 2015 and 31 December 2014, exposure to real estate and investments real estate fund units presented the following values:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Assets received as a recovery of non-performing loans	832 924	779 504
Investments real estate fund units	1 158 432	1 170 463
	1 991 356	1 949 967
<i>Stress Test</i>	199 136	194 997

Stress test performed corresponds to estimate the impact of a 10% variation in values of real estate and real estate funds. Values presented to the potential impact (before tax) in equity.

Liquidity risk

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. Liquidity risk is monitored carefully, and prepared several reports for the purpose of prudential regulation and monitoring in place of ALCO Committee.

In addition, it is also carried out a follow-up of liquidity positions of a prudential point of view, calculated in the manner required by the Bank of Portugal (Instruction no. 13/2009), as well as the level of compliance of the new prudential ratios liquidity, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), introduced with the entry into force of CRD IV in 2014.

At 30 June 2015, the total collateral value in the European Central Bank amounted to Euro 3,977,299 thousands (31 December 2014: Euro 4,202,365 thousands) with a use of Euro 2,775,900 thousands (31 December 2014: Euro 2,475,990 thousands).

Operational risk

CEMG has implanted an Integrated Continuing Business Plan, which allows to ensure the continuity of the operations in a case of a rupture in the activity.

DRI has the corporate function of operational risk management which is supported by the existence of responsible employees in the different organic units that ensure the proper implementation of Group's operational risk management.

Capital management and Solvency Ratio

In prudential matters, the Group is subject to the Bank of Portugal supervision that, under the capital adequacy Directive from the CE (2013/36/UE), establishes the rules to be attended by the institutions under its supervision. These rules determine minimum solvency ratios of main own funds of level 1, own fund of level 1 and the total own funds related with the risk-weighted assets that institutions have to fulfil. Since 2014, prudential rules are based in the new Basel III according to the Instruction no. 575/2013 of the European Parliament.

In accordance with the prudential rules of Basileia III, CEMG's Own Funds of Level 1 or Common Equity Tier 1 (CET1), Own Funds of Level 1 or Tier 1 (T1) and Own Funds of Level 2 or Tier 2 (T2), with the follow composition:

- **Own Funds Core of Level 1 or Common Equity Tier 1 (CET1):** this category includes the realised statutory capital, eligible reserves (including fair value reserves), accumulated results, results retained from the period when positives and certified or by its fullness if negatives. It is deducted the balance value of the amounts relative to ascertained goodwill, others intangible assets, profits non-realised in financial liabilities evaluated by its fair value through the results that represent own credit risk, negative actuarial deviations derived from responsibilities with post-employment benefits to employees (already included in accumulated results), as well as the gap, if positive, between the asset and the pension fund responsibilities. Financial participations on financial sector entities and Assets by Deferred Taxes have differential treatment, comparing to Basileia II, on the new Basileia III regulations. The values in these accounts are deducted when, individually, overcome 10% of CET1, or posteriorly 17.65% of CET1 when considered as aggregated (only on the non-deducted part on the first barrier of 10% and considering only significant participations). Non-deducted values will be subject to weight of 250% for the fullness of risk-weighted assets. Relatively to participations in financial institutions, the eventual deduction

is proportionally realised on the respective held capital levels. Between the implementation of this new prudential regulation in 2014 and 2018 will exist a transitory period that will allow to gradually acknowledge the majors impacts of this new regulation. Emphasis for the transitory plan applied to deferred taxes assets and negative actuarial deviations of the pensions fund that allow to acknowledge 20%/year eventual negative effects caused by new standards. Fair value reserves will also be subject to a transitory plan of 20%/year, however excluded from this plan the fair value reserves related to risk positions over Central Administrations. This exclusion will end after the adoption, by the European Committee, of a regulation based on Regulation (CE) no. 1606/2002 that approves the International Financial Report Standards, and replaces the IAS 39.

- **Own Funds of Level 1 or Tier 1 (T1):** includes capital equivalents instruments, whose conditions will be in accordance with the article 52 from Regulation no.575/2013 and approved by the Bank of Portugal. The eventual detentions of capital T1 from financial institutions subjected to deduction are deducted from this capital.
- **Own Funds of Level 2 or Tier 2 (T2):** includes capital equivalents instruments, whose conditions will be in accordance with the article 63 from Regulation no.575/2013 and approved by the Bank of Portugal. The eventual detentions of capital T2 from financial institutions subjected to deduction are deducted from this capital.

The Total Own Funds or Total Capital are constituted by the sum of the three levels previously referred.

As previously referred, until 2018 the effects of Basel III's new regulation will be gradually introduced. This process is usually named as Phasing-in. The full assumption of the new regulation, without considering transitory plans, is named as Full Implementation. Phasing-in is actually in process, being verified in this base if determined entity have the amount of own funds greater than the minimum requirement, and properly certifying its capital adequation. This relation is reflected on the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (formaly designated by solvability ratio, represented by the percentage of capital level correspondent to the amount of 12.5 times the own funds requisites). For these ratios, the regulatory minimums indicated by the Bank of Portugal for 2014 are 7% for CET1 and 8% for Total Capital.

The resume of the calculation for the CEMG's capital requirements at 30 June 2015 and 31 December 2014 is presented as follows:

	(Thousands of Euro)	
	Jun 2015	Dec 2014
Capital Common Equity Tier 1		
Paid up capital	1 900 000	1 700 000
Net profit, Reserves and Retained earnings	(401 040)	(312 029)
Other regulatory adjustments	(332 690)	(282 725)
	1 166 270	1 105 246
Capital Tier 1		
Other equity instruments	4 964	6 618
Regulatory adjustments	(4 964)	(6 618)
	1 166 270	1 105 246
Capital Tier 2		
<i>Subordinated Loans</i>	163 187	23 431
Regulatory adjustments	9 525	(21 170)
	172 712	2 261
Total own funds	1 338 982	1 107 507
Own funds requirements		
Credit risk	979 118	1 003 604
Market risk	8 765	1 078
Operational risk	57 358	57 358
Other requirements	32 688	30 426
	1 077 929	1 092 466
Prudential Ratio		
Common Equity Tier 1 ratio	8.66%	8.09%
Tier 1 ratio	8.66%	8.09%
Total Equity Ratio	9.94%	8.11%

51 Sovereign debt of European Union countries subject to bailout

As at 30 June 2015, the exposure of the CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)							
Jun 2015							
Issuer/portfolio	Accounting value	Fair value	Fair value reserves	Impairment	Average maturity rate (%)	Average maturity (years)	Fair value measurement level
Portugal							
Financial assets held for trading	22 198	22 198	-	-	4,07	8,51	1
Financial assets available for sale	1 672 360	1 672 360	(37 779)	-	4,60	4,29	1
Hed to maturity financial assets	6 346	6 467	-	-	3,35	0,29	n.a.
	<u>1 700 904</u>	<u>1 701 025</u>	<u>(37 779)</u>	<u>-</u>			
Greece							
Financial assets available for sale	7 068	7 068	-	(11 172)	1,89	22,66	1
	<u>1707 972</u>	<u>1708 093</u>	<u>(37 779)</u>	<u>(11 172)</u>			

The securities value includes the respective accrued interest.

As at 31 December 2014, the exposure of the CEMG to sovereign debt of European Union countries subject to bailout is presented as follows:

(Thousands of Euro)							
Dec 2014							
Issuer/portfolio	Accounting value	Fair value	Fair value reserves	Impairment	Average maturity rate (%)	Average maturity (years)	Fair value measurement level
Portugal							
Financial assets available for sale	1 645 832	1 645 832	48 946	-	4,83	3,64	1
Held to maturity financial assets	6 209	6 359	-	-	3,35	0,79	n.a.
	<u>1 652 041</u>	<u>1 652 191</u>	<u>48 946</u>	<u>-</u>			
Greece (*)							
Financial assets available for sale	9 525	9 525	-	(8 834)	1,26	23,16	1
	<u>1 661 566</u>	<u>1 661 716</u>	<u>48 946</u>	<u>(8 834)</u>			

In May 2014, the validity period of the Adjustment Program accorded in 2011 between the Portuguese Government and Troika (European Central Bank, International Monetary Fund and European Commission) has ended, and Portugal left since that date the bailout situation.

52 Transfers of assets

CEMG performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialised in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a proactive management through the implementation of plans to explore/increase the value of the companies' assets.

The financial assets sold under these transactions were derecognised from the balance sheet of CEMG, since the transactions resulted in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialised funds that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of CEMGs holds more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from CEMGs that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities:

- determine the objective of the Fund;
- manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which CEMG holds minority positions) establish companies under the Portuguese law in order to acquire the loans to CEMGs, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds fully subscribed by the funds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the sale value.

These junior bonds, when subscribed by CEMG, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus its related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions, CEMG subscribed:

- Participation units of the Funds, for which the cash-flows allow the recovery arise mainly from a set of assets transferred from the participant banks (where CEMG has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end.
- Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not controlling but maintaining an exposure to certain risks and rewards, CEMG, in accordance with IAS 39.21, performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, CEMG performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

(Thousands of Euro)

	Until Jun 2015			Until Dec 2014		
	Values associated with the transfer of assets			Values associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Vallis Construction Sector Fund	18 794	20 889	2 095	18 794	20 889	2 095
Fundo de Reestruturação Empresarial, FCR	21 549	21 590	41	21 549	21 590	41
	<u>40 343</u>	<u>42 479</u>	<u>2 136</u>	<u>40 343</u>	<u>42 479</u>	<u>2 136</u>

(Thousands of Euro)

	Jun 2015				
	Senior Securities	Junior Securities	Total	Impairment	Net Value
Vallis Construction Sector Fund	16 620	6 153	22 773	(6 153)	16 620
Fundo de Reestruturação Empresarial, FCR	13 478	-	13 478	(255)	13 223
	<u>30 098</u>	<u>6 153</u>	<u>36 251</u>	<u>(6 408)</u>	<u>29 843</u>

(Thousands of Euro)

	Dec 2014				
	Senior Securities	Junior Securities	Total	Impairment	Net Value
Vallis Construction Sector Fund	16 441	6 153	22 594	(6 153)	16 441
Fundo de Reestruturação Empresarial, FCR	13 389	-	13 389	(219)	13 170
	<u>29 830</u>	<u>6 153</u>	<u>35 983</u>	<u>(6 372)</u>	<u>29 611</u>

As at 30 June 2015 and 31 December 2014, the net assets disposed amounted to Euro 40,343 thousands.

The junior securities refer to investment units on the amount of Euro 6,153 thousands (31 December 2014: Euro 6,153 thousands), as described in note 23.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for, in accordance with note 15.

Although the junior bonds are fully provided, CEMG still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

In 2014, CEMG transferred credits to Business Restructuring Fund (“Fundo de Reestruturação Empresarial, FCR”) in the amount of Euro 17,251 thousands. Although, it was Montepio Investimento S.A. that acquired the participation units related to this transfer.

Still in 2014, CEMG acquired 10,000 participation units from Montepio Investimento S.A. related to Business Restructuring Fund, by Euro 8,779 thousands.

53 Subsequent events

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



**KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.**
Edifício Monumental
Av. Praia da Vitória, 71 - A, 11º
1069-006 Lisboa
Portugal

Telephone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

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

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

- 1** In accordance with the requirements of “Código dos Valores Mobiliários” (CVM), we hereby present our Limited Review Report, on the interim financial information for the six months period ended 30 June 2015, of **Caixa Económica Montepio Geral**, which includes the statement of financial position (which shows a total of Euro 25,926,069 thousands and total equity attributable to equity holders of CEMG of Euro 1,507,233 thousands, including a net loss of 90,371 thousands of Euro) and the statement of income, comprehensive income, changes in equity and cash flows, for the six months period then ended and in the corresponding notes to the financial statements.
- 2** The amounts included in the financial statements and in the additional financial information were extracted from the accounting records.

Responsibilities

- 3** The Executive Board of Directors is responsible for:
 - a) the preparation of financial information that present fairly the financial position of Caixa Económica Montepio Geral, the result of its operations, the comprehensive income, the changes in equity and the cash flows;
 - b) the historical financial information prepared in accordance with the Adjusted Accounting Standards (“Normas de Contabilidade Ajustadas”) issued by Bank of Portugal and that is complete, true, current, clear, objective and lawful as established by the Stock Exchange Code (‘CVM’);
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant matter that may have influenced the activity, financial position or results.
- 4** Our responsibility is to verify the financial information included in the above mentioned documents, namely if it is complete, true, current, clear, objective and lawful as required by the CVM, in order to issue a professional and independent report based on our work.

Scope

- 5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the “Ordem dos Revisores Oficiais de Contas”, and planned in accordance with that objective and included the following procedures:
- a) mainly, inquiries and analytical procedures performed to review:
 - the reliability of the assertions included in the financial information;
 - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
 - the application, or not, of the going concern principle;
 - the presentation of the financial information;
 - if the financial information is complete, true, current, clear, objective and lawful; and
 - b) substantive tests on material non usual significant transactions.
- 6 Our work also included the verification of the consistency of the financial information contained in the Executive Board of Directors Report with the remaining above mentioned documents.
- 7 We believe that our work provides a reasonable basis to issue our report on the interim financial information.

Conclusion

- 8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2015, is not free of material misstatements that affect its compliance with the Adjusted Accounting Standards (“Normas de Contabilidade Ajustadas”) and that is not complete, true, current, clear, objective and lawful.

Lisbon, 31 August 2015

7.3 Statement of Compliance of Financial Information Submitted by the Executive Board of Directors

This statement has been drafted under the terms of subparagraph c) of number 1 of article 246 of the Securities Code (CVM).

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

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

- all the individual and consolidated financial information in the accounting documents on the first six months of 2015 was prepared in accordance with the applicable accounting standards, and gives a true and appropriate image of the assets and liabilities, financial situation and profits of the Institution and companies included in the consolidation perimeter;
- the management report provides an accurate indication of the evolution of the business, performance and position of the Institution and companies included in the consolidation perimeter, in conformity with the legal requirements.

Lisbon, August 2015

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE BOARD OF DIRECTORS

José Manuel Félix Morgado – CEO

João Carlos Martins da Cunha Neves – Member

Luís Gabriel Moreira Maia Almeida – Member

Fernando Ferreira Santo – Member

João Belard da Fonseca Lopes Raimundo – Member

Jorge Manuel Viana de Azevedo Pinto Bravo

Luís Miguel Resende de Jesus

7.4 Compliance with the Recommendations of the Financial Stability Forum (FSF) and Committee of European Banking Supervisors (CEBS), relative to transparency of information and valuation of assets (Banco de Portugal Circular Letter number 58/2009/DSBDR)

Circular Letter number 58/2009/DSBDR of the Banco de Portugal establishes the need for institutions to appropriately comply with the recommendations of the FSF and CEBS, relative to transparency of information and valuation of assets, taking into account the principle of proportionality.

Some of the recommendations have already been addressed in this Interim Report or in the Notes to the Financial Statements, hence, when this is the case, reference will be made to such documents.

I. BUSINESS MODEL

1. Description of the business model

Points 3 and 4.1 of this Interim Report present a description of the business model and evolution of the activities and business.

2. Description of strategies and objectives

Point 3 of the Interim Report describes the evolution of activity by business area, as defined in the strategic guidelines for the CEMG Group for 2015.

3., 4. and 5. Activities developed and contribution to the business

Points 3.1 and 4 of the Interim Report provide a description of the development of the activities and their contribution to the business. The Notes to the Financial Statements relative to Segmental Reporting also present the contribution of each activity.

II. RISKS AND RISK MANAGEMENT

6. and 7. Description and nature of risks and management practices

Point 5 and the Notes to the Financial Statements present a description and quantification of the different risks incurred, as well as the monitoring, recovery and control practices adopted to mitigate them.

III. IMPACT OF THE PERIOD OF FINANCIAL TURBULENCE ON PROFITS

8., 9., 10. and 11. Qualitative and quantitative description of profits, emphasising losses and impact of write-downs, and breakdown of write-downs

Point 4, and in the context of the analysis of Profits, Provisions and Impairments, also refers to the value of impairment of the portfolio of securities. Point 5 of the Interim Report addresses the evolution of the securities portfolio of CEMG and exposure to the financial markets.

The Notes to the Financial Statements also refer to the impact of impairments.

12. and 13. Breakdown of write-downs between realised and unrealised amounts and impact on the share prices of the entity.

Not applicable.

14. Disclosure of the risk of maximum loss associated to the prolonging of the financial turbulence.

Point 5 of the Interim Report refers to these issues in an overall form.

15. Disclosure of the impact that the evolution of the spreads associated to the institution's own liabilities had on profits.

The Notes to the Financial Statements present sufficient information in view of the intended scope.

IV. LEVELS AND TYPES OF EXPOSURE DUE TO THE PERIOD OF TURBULENCE

16. Nominal amount (or amortised cost) and fair value of outstanding exposures.

The Notes to the Financial Statements present the values broken down by notional, carrying value and fair value.

17. Information on mitigation of credit risk (e.g. through credit default swaps) and the respective effect on existing exposure.

The Notes to the Financial Statements present information on credit risk mitigants relative to assets and liabilities at fair value through profit and loss.

18. Detailed disclosure on exposures.

It is considered that the information presented in point 5 of the Interim Report and the Notes to the Financial Statements fully address this issue.

19. Movements occurred in exposures between relevant reporting periods and the underlying reasons of these variations (sales, purchases, write-downs, etc.).

The information contained in the Notes to the Financial Statements covers this matter.

20. Explanation of exposure (including "vehicles" and, in this case, the respective activities) that have not been consolidated (or that have been recognised during the crisis) and the associated reasons.

In point 5 of the Interim Report and the Notes to the Financial Statements, the point relative to "Securitisation of assets" presents a detailed description on the different securitisation operations carried out and their respective "vehicles", that is, Special Purpose Vehicles (SPV).

21. Exposure to monoline insurers and quality of the insured assets.

Not applicable.

V. ACCOUNTING POLICIES AND VALUATION METHODS

22., 23., 24. and 25. Classification of transactions and structured products for accounting purposes, consolidation of Special Purpose Vehicles (SPV), detailed disclosure of the fair value of financial instruments and description of the modelling techniques used to measure the value of financial instruments.

The Notes to the Financial Statements include detailed information on these issues.

VI. OTHER RELEVANT ASPECTS IN THE DISCLOSURE

26. Description of the disclosure policies and principles used in the reporting of disclosures and in financial reporting.

One of the objectives of the internal control system of the CEMG Group is to ensure compliance with the prudential standards in force, the reliability of information and the reporting periods to the different external entities.

The CEMG Group has progressively pursued the practice of concentrating the responsibility for the reporting of information to External Entities in its bodies specialised in the respective matters, taking into account their duties and activities and using for this effect, whenever possible, technologically evolved supporting tools, in order to minimise errors and omissions and ensure high levels of reliability and promptness of the information.