CGD REPORTS

BOARD OF DIRECTORS' REPORT

1st Half 2014

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1. Economic-Financial Framework

WORLD

Slowdown in world growth

The world economy continued to grow in 1st half 2014, albeit at a clearly lower than initially expected rate, with first quarter economic activity posting its weakest rate of growth in two years. This deceleration was exacerbated by the poor weather in several countries in addition to major economic and geopolitical uncertainties in several emerging economies.

The 2.9% consecutive fall of GDP in the US was fundamentally reflected in weak consecutive world economic growth of only 1.3% in the first three months of the year. Deceleration was across-the-board in geographical terms, with slowdown in China and weaker than expected GDP growth in the euro area. The same period witnessed the economic repercussions of the Ukraine/Russia crisis. Only marked growth in Japan, fuelled by domestic demand (before the forecast VAT hike) at the start of the second quarter avoided a situation in which global growth was not even less expressive.

Forecast of long periods of low interest rates by the main central banks

In spite of such a mildly positive environment in terms of economic growth at the start of the year, appetite for risk remained at high levels, with implicit volatility in the markets close to a minimum. This is likely to be associated with the positions of the central banks of the main developed economies, in favour of the maintenance of low interest rates over the longer term and implementation of new growth *stimuli*, notably the ECB's recent packet of measures to boost lending to corporates and for consumption.

The central banks of the main emerging economies continued to endeavour to anchor investor confidence and attenuate the negative effects of currency depreciations in order to protect inflation targets. The central banks of several emerging countries were forced to tighten their monetary policies, which in several cases were already highly restrictive. This is exemplified by higher rates in Turkey and South Africa at the start of the year. Brazil, India and Russia also tightened their monetary policies, albeit to a lesser extent, as opposed to other countries, such as China, with a better grip on inflation which implemented non-conventional stimulus measures.

Share indices on a roll

The main share indices in the US close to the end of June rose to successive highs and were at their highest since the start of 2008, in Europe.

EURO AREA

Reduction of interest rates on borrowing and deposits

New long term auctions

In a scenario of fears of deflation, the new monetary *stimuli* in the euro area involved, *inter alia*, cuts in key reference interest rates, particularly including the 10 bp reduction in the deposit rate to -0.1% and the announcement of new long term liquidity injection auctions starting in the third quarter of the year, conditional upon lending trends.

Economic recovery in the euro area, noted in the second consecutive half year, remained highly sluggish, although data on business and consumer confidence trended to continuous improvement. The long period of low inflation became an issue of growing concern. Inflation at the end of the period under analysis was at its lowest rate for three and a half years at more than one percentage point less than the objective of 2.0%.

Concerns over low inflation

Gradual economic improvement accompanied by signs of fiscal consolidation succeeded in overcoming the fears associated with sovereign debt in the euro area and several of the peripheral countries saw rating improvements. The first half year therefore witnessed an environment of low and falling yields on 10 year bonds, with new historical minimums, since membership of Economic and Monetary Union, having been recorded in Spain and Italy. Portugal posted its lowest rate since September 2005. The yield on 10 year German *bunds* fell continuously across the whole of the half year.

Improvement in sovereign debt markets

This environment enabled certain non-core countries to test their capacity to return to the debt markets, with new long term sovereign debt issuances. Special reference should be made to the first 10 year debt issuance, successfully realised by the Portuguese Treasury following Portugal's official exit from the Economic and Financial Assistance Programme.

In spite of an improvement in business sentiment and the euro area's economic environment, indications and the ECB's latter implementation of new monetary *stimuli*, translated into a new downwards movement of Euribor rates across much of the half year, falling within a period of one month to a new historic minimum. The remaining periods witnessed the lowest rates since around the end of first half 2013.

Halt to euro's appreciation following the announcement of new stimulus measures

The euro's appreciation across much of the half year led it to increase to € 1.40 against the dollar at the end of April, i.e. its highest level since mid-2011. Its potentially negative impact on inflation helps to explain why ECB president Mario Draghi, expressed greater willingness to implement new expansionary measures in the region immediately following the Governing Council's meeting in May. The slight depreciation trend in evidence since the said date, translated into depreciation of only 0.4% against the dollar, following the preceding half year's sharp appreciation of 5.6%.

PORTUGAL

Economic activity in Portugal, posted consecutive growth of 0.6% in the first quarter of the year and year-on-year growth of 0.8% decelerating in comparison to the 1.3% posted in the 1st quarter. There were successive signs of confidence in the 2nd quarter, with the economic climate indicator having improved for the sixth consecutive quarter to its highest since September 2008. Consumer confidence was also at its highest since November 2009.

Individual consumption and investment expenditure made a positive contribution to GDP for the first time over the last few years. Up to 2013 it had been exclusively anchored by the evolution of net exports which, while continuing to trend to positive, also posted a slowdown in first half 2014.

Improved labour market indices

The 1st half year in the labour market once again brought positive news. Unemployment was down to 13.9% in June (down 2.5 pp year-on-year 2013 and down 1.2 pp quarter-on quarter. The rate was therefore at its lowest since 2nd quarter 2012.

The Economic and Financial Assistance Programme was, as expected, completed at the end of the first half, without the need for any precautionary package involving external economic aid.

Exit from EFAP without a "precautionary programme"

2. Highlights

CGD is currently a renewed bank which has held fast to its mission, traditional principles and values in promoting the economy's structural transformation and endeavouring to satisfy Portuguese citizens' objectives and needs.

Disposal of 80% equity investment in the insurance business

In continuing to implement a strategy of focusing on its core banking business, Caixa successfully completed its disposal of an 80% equity stake in Fidelidade, Multicare and Cares, in May. It is now concentrating on general lending to the economy and providing solutions for Portuguese households and corporates, in a changing economic environment.

International business is one of our main strategic thrusts and, in high growth economies, contributes to the group's return to levels of profit commensurate with its leading position in the financial system.

TABLE 1 – MAIN INDICATORS

(million euros)

RESULTS	Jun/13 (*)	Dec/13 (*)	Jun/14	Change Jun/14 Jun/13	Change Jun/14 Dec/13
Net interest income	364.4	-	481.2	32.0%	-
Net interest income, incl. income from equity instrum.	417.4	-	509.2	22.0%	-
Commissions (net)	270.2	-	251.4	-7.0%	-
Non-interest income	466.8	-	416.1	-10.9%	-
Net operating income	884.2	-	925.3	4.6%	-
Operating costs	666.5	-	625.7	-6.1%	-
Gross operating income	217.7	-	299.6	37.6%	-
Income before tax and non-controlling interests	-217.3	-	176.7	-	-
Net income for period	-182.7	-	129.9	-	-
BALANCE SHEET					
Net assets	115,387	113,477	100,225	-13.1%	-11.7%
Cash and claims on credit institutions	4,441	4,357	4,917	10.7%	12.9%
Securities invest. (incl. assets with repurchase agreem.)	18,103	19,035	19,456	7.5%	2.2%
Loans and advances to customers (net)	72,626	70,018	67,477	-7.1%	-3.6%
Loans and advances to customers (gross)	77,063	74,530	72,366	-6.1%	-2.9%
Central banks' and credit institutions' resources	9,837	9,735	8,435	-14.3%	-13.3%
Customer resources	67,213	67,824	67,126	-0.1%	-1.0%
Debt securities	10,081	8,791	8,369	-17.0%	-4.8%
Shareholders' equity	6,936	6,684	7,209	3.9%	7.9%
RESOURCES TAKEN FROM CUSTOMERS	94,354	94,107	94,814	0.5%	0.8%

(%)

PROFIT AND EFFICIENCY RATIOS	Jun/13 (*)	Dec/13 (*)	Jun/14	Change Jun/14 Jun/13	Change Jun/14 Dec/13
Gross return on equity - ROE (1) (2)	-6.0%	-9.4%	4.9%	-	-
Net return on equity - ROE (1)	-4.5%	-7.2%	4.5%	-	-
Gross return on assets - ROA (1) (2)	-0.4%	-0.6%	0.3%	-	-
Net return on assets - ROA (1)	-0.3%	-0.5%	0.3%	-	-
Cost-to-income (consolidated activity) (2)	75.2%	81.6%	66.8%	-	-
Employee costs / net operating income (2)	43.8%	46.1%	37.7%	-	-
External supplies and services / net operating income	24.4%	27.7%	23.4%	-	-
Operating costs / average net assets	1.2%	1.2%	1.1%	-	-
Net operating income / average net assets (2)	1.5%	1.5%	1.7%	-	-
CREDIT QUALITY AND COVERAGE LEVELS					
Overdue credit / total credit	6.7%	6.7%	7.6%	-	-
Credit > 90 days overdue / total credit	5.9%	6.1%	7.0%	-	-
Non-performing credit / total credit (2)	7.4%	7.5%	8.8%	-	-
Non-performing credit (net) / total credit (net) (2)	1.8%	1.6%	2.2%	-	-
Credit at risk / total credit (2)	10.2%	11.3%	11.9%	-	-
Credit at risk (net) / total credit (net) (2)	4.7%	5.6%	5.5%	-	-
Restructured credit / total credit (3)	-	8.0%	10.0%	-	-
Restructured credit not including credit at risk / total credit (3)	-	4.8%	6.0%	-	-
Overdue credit coverage	85.6%	91.0%	88.3%	-	-
Credit > 90 days overdue coverage	98.0%	99.9%	96.5%	-	-
Credit impairment (P&L) / loans and advances to customers (average balance)	0.9%	1.1%	1.0%	-	-
STRUCTURE RATIOS					
Loans and advances to customers (net) / net assets	62.9%	61.7%	67.3%	-	-
Loans and advances to customers (net) / customer deposits (2)	108.5%	103.5%	101.1%	-	-
SOLVENCY RATIOS (4) (CRD IV/CRR)		(01/JAN/2014)			
Common Equity Tier 1 (phased-in)	-	10.7%	11.7%	-	-
Tier 1 (phased-in)	-	10.7%	11.7%	-	-
Total (phased-in)	-	12.2%	13.6%	-	-
Common Equity Tier 1 (fully implemented)	-	7.6%	10.8%	-	-

(1) Considering average shareholders' equity and net assets values (13 observations).
(2) Ratios defined by the Bank of Portugal (Instruction 23/2012).
(3) Ratios defined by the Bank of Portugal (Instruction 32/2013).
(4) Solvency ratios include net income for the period.
(*) 2013 values are *pro forma* as Caixa Seguros e Saúde, SGPS's subsidiaries were included as non-current assets held for sale; the joint ventures were integrated by the equity accounting method, as required by IFRS 11; the associated company IMOBCI (Mozambique) was reclassified as a subsidiary and integrated by the full integration method, following the implementation of IFRS 10. The amounts reflect the application of IFRS 10 which implies a change to the preceding year's net income owing to the inclusion of two SPEs in the consolidation perimeter.

- Net interest income continued to trend to positive in contributing to the sustained evolution of profitability with a 32.0% increase to € 481.2 million in June 2014. This was accompanied by a 22.0% improvement in net interest income, including income from equity instruments, notwithstanding the decline in income from equity instruments.
- Income from financial operations once again posted a highly satisfactory € 166.2 million.
- The positive evolution of net interest income and favourable performance of income from financial operations fuelled a 4.6% year-on-year increase in net operating income to € 925.3 million in June 2014.
- In terms of operational efficiency, operating costs continued to trend downwards, with a year-on-year rate of change of -6.1%. Of particular relevance was the 9.2% reduction of employee costs, in an environment which did not involve extraordinary measures to reduce the employee complement.
- Cost-to-income was 66.8% against 75.2% in June 2013, owing both to cost reductions and higher levels of net operating income.
- Gross operating income was up by an expressive 37.6%, from € 217.7 million in comparison to the same period 2013 to € 299.6 million in June 2014.

  Gross operating income from international activity was up 31% from € 119.6 million to € 157.1 million.
- Provisions and impairment costs continued to decline. The total of € 420.9 million compares favourably with the year 2013 average of € 563 million.

  The cost of credit risk in June 2014 was 1.02% against 1.06% in December 2013.
- The successful disposal of the 80% equity stake in Fidelidade, Multicare and Cares, in May 2014, was also a factor in the positive evolution of consolidated net income.
- As a reflection of the above, consolidated net income was in the black for the second consecutive quarter at € 130 million.
- Loans and advances to customers (net) were down 7.1% over June 2013, to € 67,477 million.
- CGD's market share of loans and advances to companies continued to trend upwards to 18.3% in June. CGD retained its respective leading status in a wide range of lines of credit with specific protocols.
- Customer resources, at € 67,126 million, were very close to the values of the same period last year but up over the preceding quarter's € 66,499 million.
- CGD continues to be the undisputed leader in terms of its market share of customer deposits, with 32.2% of the individual customers segment in June 2014.
- The international area made a positive contribution to consolidated net income which (including Spain), totalled € 5.5 million in the half year (against consolidated losses of € 54.6 million for the same period 2013.

  This reversal was only made possible by the profound restructuring process in Spain, in which Banco Caixa Geral made a profit of € 12.0 million against losses of € 9.6 million in the same half year 2013. The branch cut its respective losses by 81% from € 73.2 million in June 2013 to € 14 million in June 2014. Most of its other businesses, particularly operations in Asia and Africa posted higher earnings.
- June 2014 saw a further improvement of capital ratios on a consolidated basis,

including net income for the period, with the Common Equity Tier 1 (CET 1) ratios, calculated by CRD IV / CRR "fully implemented" and "phasing-in" rules increased to 10.8% and 11.7% respectively. The proceeds from the sale of the 80% equity stake in the insurance businesses made a particularly important contribution to this significant change.

- After spearing Portugal's return to the covered bonds market, in January 2013, Caixa made a successful return to the market in January 2014, confirming its high level of acceptance and prestige as an issuing entity in the international capital market.

  The costs of new covered bonds subscriptions were down by around 100 bp, in comparison to others, in line with the continuous narrowing of spreads in the secondary market.

  CGD continues to enjoy a highly robust financing structure (unique in the domestic financial system), with a significant contribution from retail resources, given the dimension and stability of its customer base.

- CGD's borrowings from the ECB continued to trend sharply downwards with a fresh reduction of € 1,050 million over December 2013 (consolidated), to € 5,285 million.

3. Evolution of CGD Group

The group's strategy over the first half year pertains to the decision taken over the last few years of progressively concentrating on its core banking operations and backing Portuguese economic recovery, both household and corporate, which still have to contend with a very demanding social and economic scenario.

Set against the above, without ever disregarding its traditional backing for Portuguese households, Caixa is increasingly playing the role of a manufacturing sector financier, particularly focusing on SMEs which produce tradable goods and services.

Furtherance of strategic objectives of concentrating on main core banking business and strengthening international operations

At 30 April, as part of the reorganisation of its equity investments in Cape Verde, CGD and Banco Interatlântico disposed of their equity stakes in Garantia - Companhia de Seguros de Cabo Verde. Caixa also took a 6.76% equity stake in Banco Comercial do Atlântico from Garantia on 7 May, increasing its direct investment in the bank to 54.41%.

CGD took an important stride forwards in terms of the strategic process in progress, involving greater concentration in banking activity, in May 2014, in its successful disposal of an 80% equity stake in Fidelidade (which could be as high as 85%, when considering all of the shares involved in the public offering for workers) and an 80% equity stake in Multicare and Cares.

The 1.1% equity stake in REN was also sold in the market in the first half year as part of the company's 2nd reprivatisation stage. The current dimension of Caixa's investment portfolio may be described as residual.

Caixa has been streamlining its branch office network, as part of its ongoing improvements to operational efficiency and continued high levels of customer satisfaction, providing more and better products and services, benefiting from a robust and dynamic electronic channels network.

Work continued on the restructuring programme in Spain, which began in 2012. This took the form of streamlining the branch office network (59 fewer branches) and gearing business to the retail segment (individual customers and small businesses) tightening the focus on Iberian business, given its crucial role in international trade flows.

The fact that the process is in full swing has been confirmed by the expressive improvement in profit and efficiency indicators achieved by the Spain operation.

BRANCH OFFICE NETWORK

CGD Group's branch office network, at the end of June 2014, comprised 1,232 branches of which 803 in Portugal (802 CGD and 1 CaixaBI) and 429 abroad.

Optimisation of banking network in a context of improving service

The domestic branch office network at the end of the half year comprised 736 "universal" (i.e. general) branches (1 fewer than at the end of 2013) and 27 *Gabinetes Caixa Empresas* ("Corporate Offices") (2 fewer), totalling 763 business units with person-to-person customer services and 39 self-service branches, enjoying a strong relationship with the extensive international platform covering 23 countries and a clearly differentiating factor for CGD in the domestic banking scene.

TABLE 2 – NUMBER OF GROUP BANK BRANCHES

	Jun/13	Dec/13	Jun/14
CGD (Portugal)	814	804	802
Branches with person-to-person customer services	758	737	736
Self-service branches	22	38	39
Corporate offices	34	29	27
Caixa – Banco de Investimento (Lisbon + Madrid)	2	2	2
France branch	48	48	48
Banco Caixa Geral (Spain)	172	167	113
Banco Nacional Ultramarino (Macau)	15	18	18
Banco Comercial e de Investimentos (Mozambique)	130	132	139
Banco Interatlântico (Cape Verde)	9	9	9
Banco Comercial Atlântico (Cape Verde)	33	33	33
Mercantile Lisbon Bank Holdings (South Africa)	15	15	15
Banco Caixa Geral Brasil	2	2	2
Banco Caixa Geral Totta de Angola	26	29	31
Other CGD branches	18	18	20
Total	**1,284**	**1,277**	**1,232**
Representative offices (*)	**12**	**12**	**12**

(*) Including the representative office in Algeria pending the issue of a permit from the Algerian authorities.

In spite of expansion in Africa, reduction of the international branch office network and streamlining of BCG Spain

The size of the branch office network was cut from 469 to 429 branches in first half 2014. This is fully explained by the streamlining of operations in Spain, as there was a slight increase of 9 in the branch office network in Africa.

HUMAN RESOURCES

The group had a staff complement of 15,928 employees in June 2014, down 3,680 over December 2013. The decrease is explained by the reduction of the number of employees associated with the disposal of the 80% stake in the insurance businesses.

TABLE 3 – NUMBER OF CGD GROUP EMPLOYEES

	Jun/13	Dec/13	Jun/14
Domestic	14,098	13,714	10,241
International	5,755	5,894	5,687
Total	**19,853**	**19,608**	**15,928**

Reduction of the group's employee complement resulting from the disposal of the 80% equity stake in the insurance businesses and restructuring of the Spain branch

There was also a reduction in the number of employees on the foreign branch office network as a consequence of BCG Spain's streamlining operations associated with the restructuring plan in progress for the group's activity in Spain.

4. Operating Segments

Continued consolidation of corporate approach

Strategic focus on retail business is naturally reflected in the group's various operating segments and is simultaneously accompanied by an approach which is highly geared to corporate business which is gradually converging across the whole of CGD's universe.

4.1. COMMERCIAL BANKING

Caixa, over the 1st half year, in a macroeconomic environment trending to positive, consolidated transversal actions centred on the strategic pillars of a sustained improvement of quality of service and a comprehensive customer base which has been renewing its respective needs and objectives and whose loyalty is Caixa's fundamental *raison-d'être*.

Strengthening of relational, personal and multichannel management

In furthering its strategic objective of enhancing its customer relationship management system for individual customers and corporates, Caixa continued to expand its commercial teams with dedicated management functions as well as increasing the number of customers to whom account managers have been assigned, while simultaneously expanding and improving interaction media and functionalities with customers in the form of digital and mobile banking channels. At the end of first half 2014, the Caixadirecta app continued to be one of the leading free financial apps in the Google Play and Apple Store download rankings.

In terms of distance channels, reference should, *inter alia*, be made to the end of first quarter launch of Caixa's new *plim* app for iOS, Android and Windows Phone 8 smartphones to facilitate transfers between CGD customers' current accounts.

As part of an ongoing operational streamlining policy, work continued on adjusting the capillarity of the domestic branch office network which continues to have a physical presence in all of Portugal's municipal districts.

Caixa continues to enjoy high rates of usage of its branch office network capacity, in due consideration of the 4 million customers who remain highly satisfied with its quality of service.

SERVICE MODELS AND OFFER

Corporate

Commercial promotions

Commercial promotions for corporate customers, in 1st half 2014 were centred on a new campaigns structure, based on customer relationship leads.

Approach focusing on securing and retaining customers and added value

This new structure has been organised on the basis of the following 3 main "structuring" campaigns:

- Securing customers (mainly targeted at new customers);
- Retaining customer loyalty (geared to strengthening current customer relationships);
- Adding value (geared to customer profitability).

Simultaneously, the commercial promotion of corporate business continued to consolidate the Caixa Empresas service model which is based on personalised customer service and the provision of financial advisory services, notably:

- SMEs, based on CGD's own network of 27 "Corporate Offices" with 109 dedicated account managers;
- The self-employed and micro enterprises, based on a team of 309 dedicated account managers and Caixa Empresas spaces at 730 Caixa branches.

To back companies in all aspects of their activity, the enhanced commercial dynamic was once again based on contracting for financial limits, usable for the Treasury support function, commercial discounting, issuance of bank guarantees, credit card limits and the acquisition of current equipment to optimise customer response times.

Offer innovation

Caixa enhanced its competitiveness in the half year through its launch and improvement of such innovative products as:

- Caixa's *On Bizz* card

This is a prepaid bank card for public or private companies for the payment of employee subsidies, premiums and expense account items. The company is responsible for crediting this "universal" card (for payments and withdrawals up to the limit of the balance on the card).

Innovative offer for the corporate segment

- *IVA EnCaixa* ("VAT proceeds")

Adjustments to the interest on the product, based on a corporate risk analysis in which companies also have access to the benefits scorecard contingent upon the commercial relationship, in addition to a special subsidy.

- *Caixa E-Banking*

  This internet banking service for corporates and institutionals, provides a wide range of banking views and operations such as:

  - Viewing accounts, cards and liabilities;
  - Single and multiple national and international transfers, collections, scheduling and payment of services, wages and suppliers via SEPA DD (direct debits) and CT (credit transfers);
  - Viewing foreign trade operations and entering requests for documentary import credit;
  - Viewing, ordering and cancelling cheques;
  - Viewing share portfolios and prices;
  - Crediting of prepaid and Caixa Break cards;
  - Cash advances on the Caixaworks card;
  - Viewing bills and promissory notes;
  - Secure messaging service with customer account managers.

  Caixa continues to improve this service by providing new functionalities, notably for foreign trade products.

- Vehicle solution

Caixa provides adequate credit, leasing or renting financial solutions for corporate fleet management purposes. Special leasing and renting campaigns were launched in 1st quarter

2014, including special promotions for a vast range of vehicles and simplified acquisition processes, particularly for vehicle fleets.

- SEPA DD and CT

Adjustments were made to the whole of the credit and debit transfers and customers' direct debits system, following the coming into force of SEPA (Single European Payments Area) transfers on 1 August.

Caixa uses SEPA, to provide efficient products, high levels of service and competitive prices, as part of a model ensuring greater security and speed, accompanied by detailed information to improve management of the Treasury function and cut costs.

Individual customers

Commercial promotions

The commercial approach adopted in 1st half 2014 was based on new guideline principles designed to incentivise customer loyalty, use of products, knowledge and satisfaction of customers, prospecting for new customers and profitability.

These campaigns were structured on these five commercial guideline pillars comprising 26 promotional actions which, based on the creation of leads, worked on improving the rate of contacts with Caixazul, Caixa Mais and general customers while, complementarily, promoting integrated offers for specific customer groups, such as *My Baby, Young People, Caixa Woman* and *Caixa Activa*.

Rapid evolution of commitment to proximity and a diversified range of customers

Caixa continues to commit to a proximity relationship with its individual customers. With the aim of improving its knowledge on its customers, the bank repeated actions involving the collection/updating of personal data, which are essential for contacts and support purposes when making financial decisions. This was complemented by actions focusing on strengthening commercial relationships and the consolidation of customer satisfaction, encouraging customers to choose Caixa as their main financial partner.

A "member-get-member" campaign was also launched, inviting current customers to recommend Caixa to their family and friends.

Optimisation and more efficient communication with customers

The customer communication process and methodology based on newsletters was revised with the aim of improving this means of communication's commercial effectiveness.

Changes included the provision of communications sent via the Caixa landing website page for viewing, in the first instance and, in the 2nd half year, the possibility of direct forwarding to pages containing more information.

Around 2 million newsletters were sent to Caixazul, Caixa Woman and Caixa Activa customers in the first 4 months of 2014.

Person-to-person service models

Caixa's commercial promotions or its premium and mass market customers uses one of the person-to-person-face service models on the Caixazul, Caixa Mais and Universal branch office network.

Caixazul service model

The Caixazul service model was launched in March 2004. This is a person-to-person service model provided by dedicated account managers at exclusive branch office spaces.

At the end of 1st half 2014, this service model, provided by 947 dedicated account managers, responsible for assisting a total number of around 291,000 customers was available at 576 branch offices (78% of the branch office network).

Caixazul customers can request call-backs, exchange secure messages with their account managers, ask for assistance in carrying out transactions and schedule meetings, available 24/7 by Caixadirecta telephone, online, mobile and app.

Person-to-person service models:

- Caixazul: 974 dedicated account managers;
- Caixa Mais: 1,336 commercial assistants.

Caixa Mais service model

The Caixa Mais service model was introduced in January 2010 as a person-to-person relationship management service model for assisting individual customers with business growth potential but not eligible for the Caixazul service.

The service was expanded in the 1st half year to an additional 241 branch offices (in 35 of which the service was implemented for the first time) with an additional 268 Caixa Mais commercial assistants.

At the end of 1st half 2014, the Caixa Mais service was provided by 1,336 commercial assistants.

Caixa Mais customers may also count upon the virtual presence of their respective commercial assistant or Contact Centre on Caixadirecta's telephone, online, mobile service and app via the online assistant service and request help whenever needed by pressing the call-back button or using the secure messaging service.

Universal model

This service with 736 person-to-person customer service units is across-the-board to the whole of the branch office network.

University students and Universities

Close association with higher educational establishments remains a central element in Caixa's status as a university segment supporting bank, comprising:

Knowledge promotion and academic merit, in the form of research grants, cash prizes for the best students, curricular and on-the-job placements;

- Encouragement for entrepreneurship by sponsoring competitions and tailoring financial solutions for young entrepreneurs;
- Support for students' financial requirements during their academic lives and when embarking upon their professional lives;

- Meeting the financial needs of each of the schools with which specific protocols have been entered into.

Caixa was, once again, active at summer festivals while simultaneously promoting savings solutions, having launched its *Campanha Caixa IU Oportunidade 2014* ("Opportunity Campaigns for Students") associated with 4 summer festivals in which Caixa was involved.

Continued commitment to university segment

In addition to promotions for university students, it endeavoured to encourage savings and deposits in a product open only to students enrolled in higher education.

At the start of 2014 Caixa was involved in the handover process designed to assist customers coming to the end of their academic lives to choose personalised post university service models more in line with their individual needs in the form of Caixazul, Caixa Mais or Caixadirecta Mais services.

Two "knowledge actions" were performed in the first half year on account of the relevance of the need for up-to-date information on customers to improve the effectiveness of the Caixadirecta IU service model.

The first half also saw the launch of Caixa ISIC credit card campaigns, with special advantages for students travelling abroad and the "Mesada Certa" ("Fixed Allowance") as a utility instrument for occasional current account overspends.

In a territory increasingly marked by its presence, Caixa provided the main academic celebrations with logistical and financial support.

In line with communication trends, particularly social networks, Caixa retained its highly dynamic Caixa IU page which specialises in university segment issues. The page has already attracted more than 35,000 fans.

Residents abroad

- Caixa continues to consider the residents abroad segment as a strategic option, owing to its proportion of the total resources of individual customers and high growth potential, given the current economic environment.

Broadening of functionalities available to this traditionally strategic segment for CGD

The following special promotions were launched over the course of 1st half 2014 to further enhance this segment's value proposal:

- *Caixa sem Fronteiras* ("Caixa without Borders"), based on an advertising campaign with the headline "If you're travelling abroad take Caixa with you" including the provision of flyers by country of destination in which Caixa operates. The action was designed to promote Caixa's exclusive offer for residents abroad, for current or potential customers working outside Portugal, to facilitate the integration of people starting new lives in other countries.
- An Easter Campaign, based on an advertising action under the *"Em Abril, Poupanças Mil"* ("Savings Galore in April") banner with the main objective of promoting Caixa's savings solutions, based on the diversity of their maturities, markets and currencies (euros, US and Canadian dollars).
- A Summer Campaign (also running through the third quarter), advertised in foreign and Portuguese media. The campaign was geared to promoting savings diversification (*Depósitos Mais* – "Savings Plus") with a freephone facility enabling Caixa to be contacted from anywhere worldwide (*Caixadirecta* by freephone, debit cards for residents abroad with no fees payable in the country of residence, as well as credit cards with a personalised image for residents abroad).

The advertising campaign's main message was conveyed by the expression "*Há mar e mar, há ir e voltar*" (a Portuguese saying allusive to the dangers of the sea), establishing a connection between the Easter Campaign and use of popular Portuguese expressions and sayings.

- "Know-your-customer" campaign with the main objective of collecting information for the production of personalised proposals.

These initiatives were accompanied by the expansion of the *Caixadirecta Internacional* ("Caixa International") service to other *Caixadirecta* subscribers abroad (Angola and Mozambique) who are able to use this service to contact their bank by freephone and online, benefiting from a dedicated team of commercial operatives.

Investment and savings

Caixa launched diverse savings and investment solutions in 1st half 2014 with the aim of fuelling new resource-taking and their retention on maturity.

New investment and savings solutions

On a deposits level, Caixa's campaign encompassed three two monthly resource-taking initiatives (a basic and integrated deposits offer and 10 automatic savings solutions) with the objective of providing continuity to the strategic priority of retaining and taking-in resources, with adequate returns.

- Commercialisation of the Caixa Woman 3M/6M/12M online term deposits and its Caixa PopNet 3M/6M online terms deposits, was discontinued in 1st half 2014. The maximum amounts per customer were increased for 11 online deposits.
- The 1st half year also saw the following:
  - The relaunch of a term deposit open only to Caixa Mais customers;
  - The launch of 3 term deposits associated with the various Summer Festivals 2014 sponsored by Caixa, only open to a specific customer segment / level of commitment to Caixa:
    - Caixa IU university students: 1 basic term deposit;
    - Cliente mais ("Customer Plus") customers: 2 basic no-withdrawal term deposits with maturities of between 1 and 3 years.
- 25 short and medium term indexed deposits, with guaranteed capital on maturity and varied interest structures, were commercialised. The launch of one of these deposits was associated with the Rock in Rio Festival and another with Women's Day celebrations.
- The financial insurance sphere included six medium/long term capitalisation insurance campaigns with guaranteed capital and fixed interest on term, together with 2 retirement savings plans in the form of Leve PPR ("*Leve* Retirement Pension Plan") and a special PPR (Levexpert) ("*Levexpert* Retirement Pension Plan") series. The commercialisation of the latter capitalisation insurance included new cover for accidental death.
- The funds area included 6 permanent investment fund promotions and 6 promotions on Caixa's permanent offer of 3 pension funds.
- The manner of approaching customers in the sphere of non-financial insurance, in 2014, was revised to include greater orientation to multi-product offers/presentations (as opposed to the former single product approach), incorporating Caixa's

commercialisation of 10 main products. This was simultaneously accompanied by the following:

- "Possession of Insurance Initiative" – for established and Caixazul customers with a current non-life insurance policy who, when taking out new insurance from Caixa's permanently available range, were exempted from the premium on the 1st annuity of the *Activcare geral* card.
- *Caixa Seguro Lar* ("Home Insurance") Initiative - for established and Caixazul customers with a current non-life insurance policy and a *Caixa Seguro Lar* policy in force for more than 10 years, who, when taking out a new *Pack Recheio* ("Contents Pack") were given a 10% discount on the commercial premium of all *Caixa Seguro Lar* annuities.

The cover provided by some non-financial insurance was also increased:

- *Caixa Woman* insurance: Inclusion of new "Carcinoma *in situ* – non-invasive tumour" cover;
- *Liber 3G* Vehicle Insurance: Inclusion of new optional "Vital Driver Protection" cover.

Better knowledge of savers' profiles

Reference should also be made to the following initiatives:

- Investor profile questionnaire – provision of a simulator facility for investor profile assessment purposes from the *Caixadirecta Online* and *Caixadirecta Telephone* services.
- Espírito Santo Saúde IPO – Participation in the placement of Espírito Santo Saúde's initial public offering.
- FC Porto SAD 2014-2017 fixed-rate bonds public subscription – Participation in the placement of the public subscription for FC Porto SAD's bond loan.
- REN public offer for sale – 2nd reprivatisation stage – Participation in the respective placement.

Home and technology campaigns – an initiative enabling customers to purchase non-financial products in the home and technology categories was in progress during the first 4 months of 2014.

RESOURCES

CGD's commercial approach to the household segment, in leveraging its unequivocally leading position in Portugal, continues to concentrate on improving its knowledge of customers and acquiring an integral vision of their respective profiles. This enables it to meet their needs and objectives on a proactive basis with the final objective of optimising the loyalty/securing/profitability trinomial.

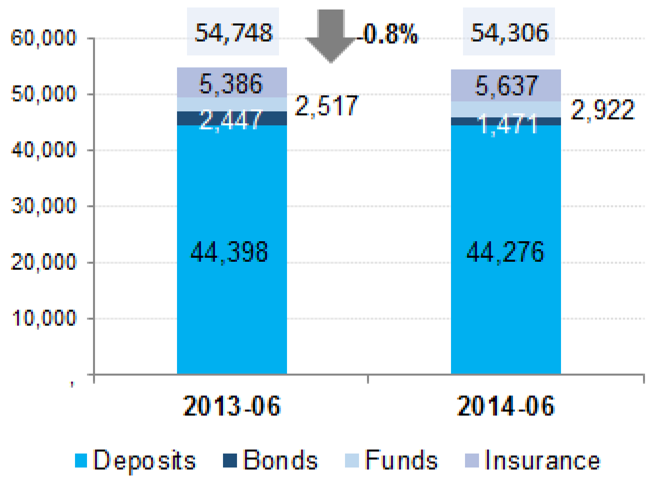
A robust financing structure with a significant contribution from retail resources

Its proximity and knowledge policy has enabled Caixa to maintain a positive funding trend from retail sources (whose dominance continues to be a differentiating factor *vis-à-vis* its competitors, not only domestic) over the period under analysis, in spite of the current policy of successive reductions of interest rates on deposits and, no less importantly, competing savings products with higher yields.

The period therefore witnessed the globally favourable performance of deposit-taking from individual customers, with customer deposits (-0.3%, year-on-year) remaining practically unchanged.

CHART 1 - RESOURCE-TAKING (INDIVIDUAL CUSTOMERS) - BRANCH OFFICE NETWORK (PORTUGAL) BY PRODUCT

(million euros)



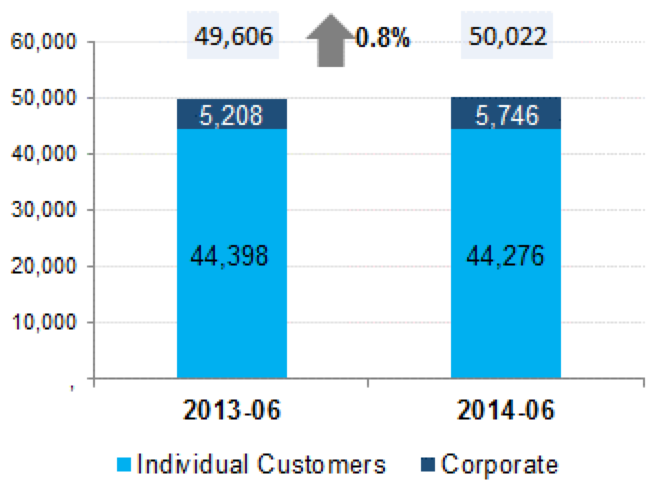
In the corporate segment, CGD has been strengthening its backing for those companies making a greater contribution to Portugal's economic recovery and its own returns, based on a more targeted approach and continuous oversight, with better Treasury management support solutions and external credit operations.

8.9% growth in deposit-taking from the corporate segment in Portugal

Total resource-taking products in the corporate segment, on the branch office network in Portugal, were up 8.9% in June 2014, when compared to June 2013 figures. They particularly included a 10.3% growth of deposits and 42.2% growth of investment funds.

CHART 2 - DEPOSITS - BRANCH OFFICE NETWORK (PORTUGAL) INDIVIDUAL CUSTOMERS AND CORPORATE SEGMENT

(million euros)



Total deposits of € 50,022 million in Portugal

Individual customers and corporate deposits in the branch office network in Portugal were 0.8% up, year-on-year to € 50,022 million, fuelled by 10.3% corporate segment growth.

Off-balance sheet resources were up 6.8% year-on-year to € 26,022 million at the end of June 2014, translating good performance by wealth management whose corresponding balance posted an overall 5.1% change of € 883 million.

TABLE 4 - RESOURCE-TAKING BY GROUP – BALANCES

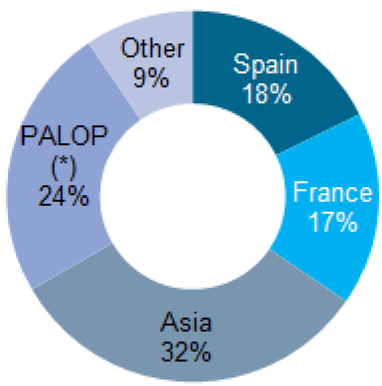
(million euros)

	Jun/13	Dec/13	Jun/14	Change Jun/14 - Jun/13 Total	Change Jun/14 - Jun/13 (%)	Change Jun/14 - Dec/13 Total	Change Jun/14 - Dec/13 (%)
Balance sheet	**80,251**	**79,140**	**78,021**	**-2,231**	**-2.8%**	**-1,119**	**-1.4%**
Retail	69,891	69,507	68,792	-1,099	-1.6%	-715	-1.0%
Customer deposits	66,926	67,623	66,729	-197	-0.3%	-893	-1.3%
Other customer resources	2,965	1,884	2,063	-902	-30.4%	179	9.5%
Institutional investors	9,460	8,733	8,328	-1,132	-12.0%	-404	-4.6%
EMTN	4,759	4,064	2,897	-1,862	-39.1%	-1,167	-28.7%
Covered bonds	3,800	3,810	4,558	757	19.9%	748	19.6%
Other	901	858	874	-27	-3.0%	15	1.8%
Portuguese state (CoCo Bonds)	900	900	900	0	0.0%	0	0.0%
Off-balance sheet	**24,362**	**24,601**	**26,022**	**1,660**	**6.8%**	**1,422**	**5.8%**
Total	**104,613**	**103,740**	**104,043**	**-570**	**-0.5%**	**303**	**0.3%**
Total (excluding institutional investors and Portuguese state)	**94,253**	**94,108**	**94,815**	**561**	**0.6%**	**707**	**0.8%**

Total resource-taking (excluding the interbank market) was up 0.6% year-on-year to a balance of € 94,815 million, for the group as a whole.

CHART 3 - CUSTOMER DEPOSITS IN THE INTERNATIONAL AREA

(%)



(*) Portuguese Language Speaking African Countries

International area contributes € 13,907 million to total deposit-taking

The international area continued to make a highly favourable contribution to total resource-taking with € 13,907 million, particularly including CGD Group businesses in Asia, Africa, France and Spain.

TABLE 5 - CUSTOMER DEPOSITS (CONSOLIDATED) BALANCES

(million euros)

	Jun/13	Dec/13	Jun/14	Change Jun/14 - Dec/13	
				Total	%
Individual customers	52,371	52,760	52,018	-742	-1.4%
Sight deposits	12,698	13,134	13,139	4	0.0%
Term and savings deposits	39,672	39,626	38,879	-747	-1.9%
Corporate	12,847	13,112	13,039	-73	-0.6%
Sight deposits	5,409	5,205	5,374	169	3.2%
Term deposits	7,438	7,907	7,665	-241	-3.0%
Public sector	1,400	1,444	1,374	-69	-4.8%
Sight deposits	1,235	1,037	1,151	114	11.0%
Term deposits	164	406	223	-183	-45.1%
Mandatory deposits	309	307	298	-9	-2.9%
Total	**66,926**	**67,623**	**66,729**	**-893**	**-1.3%**

Stable performance by corporate deposits

By segment, reference should be made to the stable behavior of corporate deposits (-0.6% since the beginning of the year).

By modality, around € 46,767 million (70.1% of total customer deposits) were term and savings deposits.

Market share of 32.2% in individual deposits in domestic activity

CGD Group's market share of customer deposits remains at high levels, with special reference to the domestic individual customer deposits market share of 32.2%.

TABLE 6 - CUSTOMER DEPOSITS – MARKET SHARES (a) BY CUSTOMER SEGMENT

(%)

	Jun/13	Dec/13	Jun/14
Corporate	11.3%	11.5%	11.2%
General government	12.0%	13.0%	15.7%
Individual customers	32.4%	32.6%	32.2%
Emigrants	40.4%	41.2%	41.1%
Mandatory	96.9%	96.9%	94.7%
Total	**27.5%**	**27.6%**	**27.6%**

(a) Activity in Portugal.

Debt securities, down 4.8% to € 8.4 billion since the end of 2013 translated reductions on the balances of bonds issued under the EMTN Programme, as opposed to the 19.6% increase of € 748 million in covered bonds owing to the issuance of € 750 million in covered bonds with a maturity of 5 years at the start of the year.

TABLE 7 - DEBT SECURITIES

(million euros)

	Jun/13	Dec/13	Jun/14	Change Jun/14 - Dec/13	
				Total	%
EMTN programme issuances (a)	5,201	3,982	2,814	-1,168	-29.3%
ECP programme issuances	18	21	39	18	87.0%
Nostrum Mortgages	262	223	147	-77	-34.3%
Covered bonds	3,800	3,810	4,558	748	19.6%
Bonds on the public sector	621	614	689	74	12.1%
Cash bonds and certificates of deposit	179	140	122	-18	-12.9%
Total	**10,081**	**8,791**	**8,369**	**-423**	**-4.8%**

a) Does not include issuances classified as subordinated liabilities

Caixa took in resources of € 2.5 billion in subordinated liabilities, maintaining the balance existing in December 2013.

TABLE 8 - SUBORDINATED LIABILITIES

(million euros)

	Jun/13	Dec/13	Jun/14	Change Jun/14 - Dec/13	
				Total	%
EMTN programme issuances (a)	1,128	1,141	1,139	-2	-0.2%
CoCo bonds	900	900	900	0	0.0%
Other	929	482	486	4	0.7%
Total	**2,957**	**2,524**	**2,525**	**2**	**0.1%**

a) Does not include issuances classified as debt securities

CREDIT

Corporate

Particular focus on SMEs and cross-border business

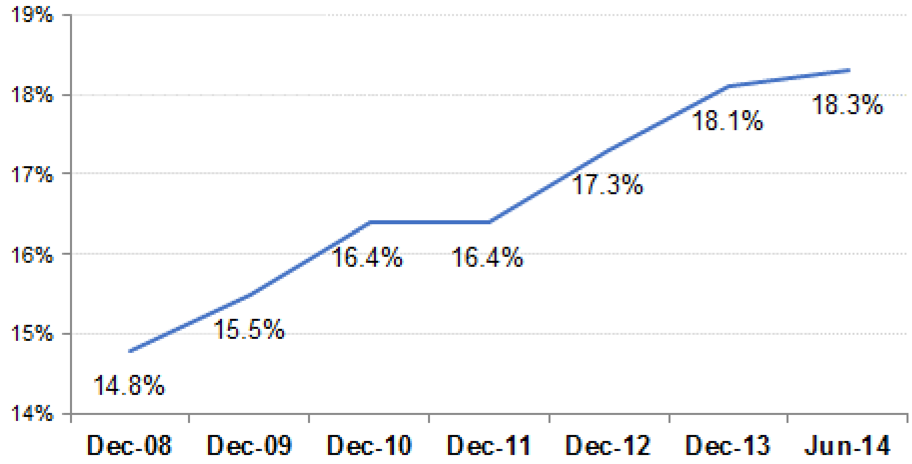
Based on its aim of achieving the status of bank of choice of the best Portuguese companies, Caixa continued to provide new credit solutions, frequently complemented and particularly so in the case of companies with cross-border business by advisory and oversight services, to which the experience and extensive international branch office network makes a value added contribution.

This strategic approach was once again confirmed by a sustained, positive evolution in the market share of loans and advances to companies which has grown on a practically continuous basis over the last five years to 18.3% in June 2014.

Endeavours to achieve an integrated relationship with the corporate segment in all sectors, particularly tradables, took the form of further backing for Treasury functions, investment and capitalisation.

CHART 4 - MARKET SHARES – LOANS AND ADVANCES TO COMPANIES (PORTUGAL)

(%)



Lead of a large number of specific lines of credit

In reinforcing its role as the domestic economy's driving bank and with customer proximity, its intensity of relationship and quality of service, as a strategic focus, Caixa took a series of steps to enhance its corporate offer in 1st half 2012, notably:

- Strengthening commercial dynamics, focusing on securing new customers, avoiding customer churn and maximising customers' value to the bank.
- Launch of new lines of credit with specific protocols, including *PME Crescimento* ("SME Growth") 2014, *Comércio Investe* ("Commerce Invest") and *Linha Garantia Mútua-FEI* ("EIF Mutual Guarantee") 2013-2015.
- Strengthening of Caixa's sectoral offer, in the relaunch of its *Negócio Ibérico* ("Iberian Business") value proposal, improving the terms of "PRODER/PROMAR" lines of credit and secondary lines of credit for companies in the tourism sector (Treasury and offer qualification).
- Revision of the scorecard of benefits conditioned by commercial involvement, strengthening its leveraging role in retaining customer loyalty, notably by expanding the range of applicable strategic products.
- Improvement of Caixa E-Banking functionalities, including foreign trade (CDI ("Document and Information Centre") requests and "other loans" views), interaction with customer account managers (possibility of using secure messaging service) and crediting prepaid cards.
- Optimisation of interbank transfers based on the implementation of SEPA in credit transfers (CT) and direct debits (DD).

New functionalities to facilitate corporate business

Launch of Caixa Empresas lines of credit for exporting companies and producers of tradable goods

This line aims to improve the flexibility of the Treasury function of exporting companies or producers of tradable goods and has 3 advantages:

- Improved flexibility of periods and conditions of medium and long term operations or new operations and limits;
- Benefits contingent upon commercial involvement with Caixa, based on a subsidised spread scorecard;
- Advances of export receipts.

Subscriptions for new governmental lines

In backing the domestic economy and improving corporate access to finance, Caixa has entered into the following investment lines of credit:

Linha PME Crescimento ("SME Growth Line")

Providing continuity to the *PME Investe/PME Crescimento* ("SME Invest/SME Growth") lines of credit as a fundamental pillar for its financial support to domestic SMEs, Caixa entered into specific lines of credit for its *PME Crescimento* 2014 line of credit with the Garval, Lisgarante, Norgarante and Agrogarante mutual guarantee companies, IAPMEI (SME Support Institute) and *PME Investimentos* (SME Investments).

This special line of credit is geared to improving Portuguese SMEs' access to finance, with a mutual guarantee of up to 70% on capital, competitive spreads and extended maturities of up to 10 years, with a grace period of up to 24 months on capital repayments.

Subscriptions for new governmental investment support lines

The *SME Crescimento 2014* line, with a ceiling of € 2 billion, is split up into 3 specific sub-lines:

- Micro and small enterprises
- General (including specific appropriations for working capital and investment)
- Commercial, for exporting companies

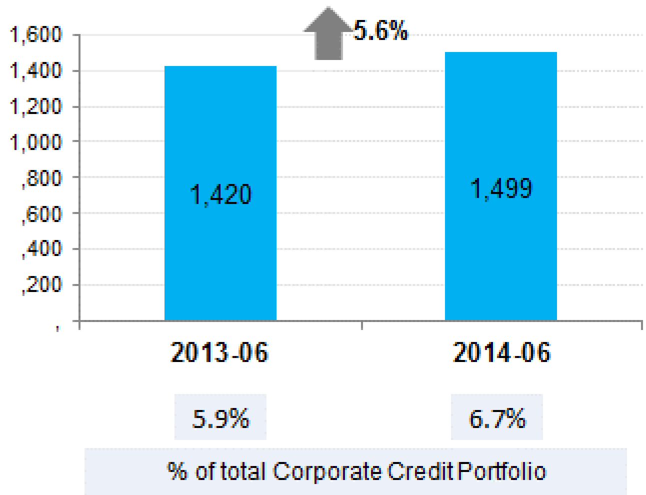
This includes a specific appropriation of 10% of the overall amount exclusively open to companies in the primary sector.

Caixa has approved more than € 78 million for this line, comprising a market share of around 17%.

Since 2008 Caixa has approved more than € 5,818 million under its *PME Investe/PME Crescimento* lines (operations received by mutual guarantee companies up to June).

CHART 5 - *PME INVESTE* LINE OF CREDIT – LOANS AND ADVANCES TO COMPANIES (PORTUGAL)

(million euros)



As part of its strategy of backing Portuguese exporting companies, Caixa's market share of specific secondary lines for exports comprises 20% of the amount of financing.

Linha Comércio Investe **("Commerce Invest")**

This is a special line of credit entered into between Caixa and mutual guarantee companies, IAPMEI and PME Investimentos. It has an overall appropriation of € 25 million and is geared to financing applications approved in the sphere of the *Medida Comércio Investe* ("Commerce Invest Measure"), with a mutual guarantee of up to 70% on capital. The line has competitive spreads with maturities of up to 9 years and a grace period of up to 24 months on capital repayments.

Linha Garantia Mútua-FEI **("Special Mutual Guarantee Investment Line") 2013-2015**

This is a special line of credit entered into between Caixa and mutual guarantee companies. It has an overall appropriation of € 203 million pursuant to the general protocol in force. It is geared to financing investments in fixed assets and working capital, including acquisitions of equity stakes, R&D investments and acquisitions of licences. There is a mutual guarantee on up to 80% on capital, competitive spreads and extended maturities of up to 10 years with a grace period of 24 months on capital repayments.

Enhancement to sectoral offer

Relevant improvements were made to Caixa's specific offer for each individual sector of activity, to improve the competitiveness of commercial actions, notably:

Strengthening of sectoral offer

- Iberian business: The *Oferta Ibérica* ("Iberian Offer"), providing a turnkey service to Portuguese companies with commercial relationships in Spain and vice-versa, was redimensioned, allowing customers to operate with Caixa and Banco Caixa Geral (BCG) as if they were dealing with a single bank. The main advantages are associated with:
  - Improved flexibility when opening an account in the 2 countries and current Treasury movements;
  - Definition of cross-border credit limits;
  - Oversight and personalised advisory services, provided by a customer account manager in Portugal and another in Spain and a network of around 1 000 branch offices in the Iberian space.
- *PRODER/PROMAR* lines of credit: charges for these operations were reviewed and now benefit from the advantages set out in the benefits scorecard which is contingent upon commercial involvement with Caixa.
- Line of credit for tourism companies' Treasury functions: the conditions attached to these operations were reviewed, with an increase in the maximum amount per company, maturity and a revision of interest. They now benefit from the advantages set out in the benefits scorecard which is contingent upon commercial involvement with Caixa.
- Line of credit for the qualification of tourism companies: the interest terms were revised and now benefit from the benefits scorecard contingent upon commercial involvement and the creation of a secondary entrepreneurship line of credit for tourism animation companies restaurants and beverages with projects of up to € 300,000 of eligible investment.

Individual customers

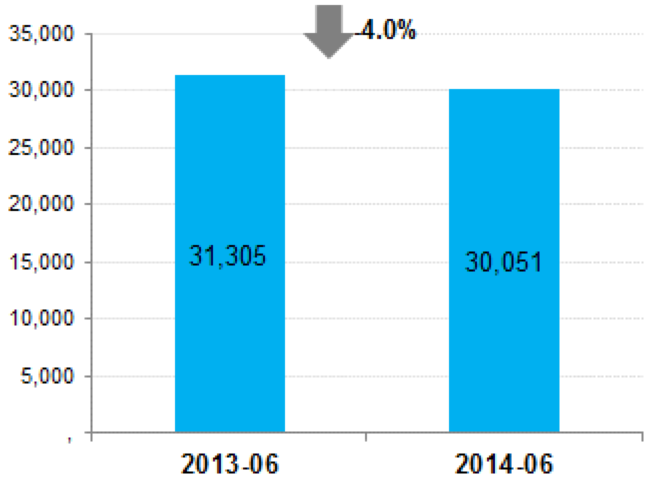
The evolution of mortgage credit in Portugal, in 2014, continued to reflect the economic cycle, the most recent evolution of the real estate sector and, more recently, the slight improvement in Portuguese citizens' confidence indices and expectations.

Credit balance continues to reflect the unfavourable economic environment (high unemployment and drop in disposable income)

Although the mortgage credit balance was down 4.0% over the course of this period, in the case of domestic activity, there was slight growth in the volume of new mortgage credit operations to € 240 million, up 11.1% over the same half year 2013 (in comparison to a market rate of 10.4% in May 2014).

CHART 6 – MORTGAGE CREDIT PORTFOLIO - BRANCH OFFICE NETWORK (PORTUGAL)

(million euros)



In spite of the still high levels of unemployment and reduction of disposable income, the gradual improvement of household confidence and global reduction of interest rates charged from March 2014, have enabled CGD to post a moderately growing demand for mortgage credit.

CGD has been implementing a mortgage credit policy designed to meet its customers profiles and current needs, with an offer more in line with their respective income levels, value of real estate and maturity of the loan.

With Euribor at historically low rates and in endeavouring to provide for the impact of any interest rate hikes, Caixa has significantly improved its fixed rates on maturities of up to 20 years, guaranteeing that repayments will remain unchanged over the maturity of contracts and favouring households' financial stability.

Mortgage credit offer at fixed rates

Although the outlook for economic recovery and the increased confidence of economic agents are likely to continue to help fuel the increased flow of new operations, the levels contracted for in the future are unlikely to be on a par with those of the past.

Caixa has simultaneously changed its mortgage credit terms on acquisitions of real estate owned by the group and others, built with CGD finance which benefit from preferred terms.

This has been complemented by Caixa's use of several credit restructuring solutions for over-indebted households, namely based on capitalising the overdue debt and consolidation of mortgage credit, personal credit, vehicle credit and credit cards, adjusting repayments to customers' income levels.

Owing to households' increasing options to rent, as a real estate market access solution, Caixa has been increasing its rental property portfolio. It currently has around 1,500 properties that have been placed in the real estate rental market by CGD Group's housing rental investment funds.

With the aim of fuelling real estate sector dynamics and promoting the financial stability of construction and real estate companies, which have used Caixa for their real estate financing solutions, the active promotion of property which has been completed and put onto the market has been intensified on the www.imoveisparceiroscaixa.pt website together with preferential financial terms for potential customers interested in acquiring a new home and needing to take out a loan.

Caixa has also been actively engaged on promoting such projects, entering into partnerships with real estate agents and reinforcing the use of digital means and support for promotion purposes while intensifying the commercial dynamics of its branch office network.

Another of CGD's strategic options in the real estate business has been in renovation and urban regeneration, developing and commercialising specific lines of credit, together with its management of urban development funds, under the Community's JESSICA initiative, developed by the European Commission (EC) and European Investment bank (EIB), working in close cooperation with the Council of Europe Development Bank (CEB).

Increase in new mortgage credit operations still insufficient to offset repayment flows

In consolidated terms, loans and advances to customers (gross) totalled € 72,366 million at the end of June 2014, down 2.9% by € 2,164 million and 6.1% by € 4,697 million over the end of December and June 2013 respectively (on a comparable basis). CGD Portugal accounted for € 55,987 million and the group's remaining business for € 16,380 million, 77% and 23% of total loans and advances to customers.

The individual customers segment portfolio continued to decline with an overall balance of € 36,696 million.

TABLE 9 - LOANS AND ADVANCES TO CUSTOMERS - CONSOLIDATED [(a)]

(million euros)

				Change Jun/14 - Jun/13		Change Jun/14 - Dec/13	
	Jun/13	Dec/13	Jun/14	Total	(%)	Total	(%)
Corporate	35,022	33,657	31,510	-3,512	-10.0%	-2,147	-6.4%
Individual Customers	37,696	36,879	36,696	-1,000	-2.7%	-183	-0.5%
Mortgage credit	35,609	34,853	34,699	-910	-2.6%	-153	-0.4%
Other	2,087	2,026	1,996	-91	-4.4%	-29	-1.5%
General government	4,344	3,995	4,160	-184	-4.2%	166	4.1%
Total	**77,063**	**74,530**	**72,366**	**-4,697**	**-6.1%**	**-2,164**	**-2.9%**

(a) Before impairment

International activity with good credit performance in businesses in Africa and Asia

The banks in Africa posted 6.1% growth in loans and advances to customers (net) in the first six months of 2014, to a total of € 2,591 million. BCI in Mozambique posted a 16.9% increase of € 176 million over June 2013.

In Macau, BNU's lending was up 15.7% year-on-year by € 242 million.

Loans and advances to customers, in Brazil, were up 11.8% year-on-year, notably on account of the support given to domestic companies in the Brazilian market.

In Europe, CGD's France branch, which has still to show clear signs of recovery, maintained its level of credit at its June 2013 level. Credit in Spain also continued to decline (19.1% over June 2013).

CGD Group increased its market share of loans and advances to customers over June 2013, from 21.4% to 21.6% in June 2014, reflecting the increase in the market share in the corporate segment to 18.3%. The mortgage lending share was 26.5% at the end of the 1st half 2014.

21.5% market share of loans and advances to customers

TABLE 10 - LOANS AND ADVANCES TO CUSTOMERS – MARKET SHARES (PORTUGAL) [(a)]
BY CUSTOMER SEGMENT

	Jun/13	Dec/13	Jun/14
Corporate	17.6%	18.1%	18.3%
Individual customers	23.6%	23.7%	23.6%
Mortgage credit	26.6%	26.5%	26.5%
Other	9.2%	9.2%	9.1%
General government	33.6%	29.5%	27.9%
Total	**21.4%**	**21.6%**	**21.6%**

(a) Activity in Portugal including securitised credit

ELECTRONIC CHANNELS

Self-service networks

Caixa had 4,667 self-service terminals for use by customers and non-customers at the end of June. Caixautomática (ATS) and Multibanco (ATM) cash machines and bank passbook readers performed 134.2 million operations totalling € 8.3 billion (around € 45 million/day), in the half year, down by 0.4% and up by 4.4%, respectively over the same period 2013.

Continuous improvements in electronic channels, particularly the new "Multimedia Kiosk"

The private Caixautomática network with 395 items of equipment, 1,463 Caixautomática cash machines and 959 passbook readers was responsible for 6 million operations totalling € 4.4 billion. Caixa's Multibanco network, with 2 272 ATMs, performed 69 million operations totalling around € 3.9 billion.

Special reference should be made in the half year to the launch of the *Quiosque Multimédia,* ("Multimedia Kiosk") as a new item of equipment exclusive to Caixa and a game changer in terms of self-service banking. Innovative in design and its pioneering functionalities, it was designed to optimise and innovate in terms of the quality of service provided to customers, guaranteeing linkage between information supplied to customers, on Caixa's various channels, notably Caixautomática and Caixadirecta. It represents a considerable technical leap forward in providing customers with a user-friendly but private means of performing transactions, requesting information and viewing commercial advertising on a large touch screen. Its main new features are listed below:

- Access to frequent operations and personalisation of accounts and cards;
- Information sharing with NFC-enabled smartphones;
- OCR data capture for the payment of invoices;
- Locating of branch offices;
- Information on price-lists;
- Requests for contact by account managers or contact centre.

Caixa e-banking

Caixa e-banking is the internet banking service for corporates and institutionals. It provides essential support to their current management, making it possible to perform operations and access online banking information at https://m.caixaebanking.cgd.pt. The service maintained its trend towards a growth in contracts in 2014 (up 7.5%) with a 1.5% increase in terms of the amounts of movements. It was responsible for movements of around € 100 million per day.

New security mechanisms

The service was provided with new functionalities in the first half year, particularly in terms of an increase in the maximum amount of transfers, the introduction of a hard token security mechanism, adjustments in the sphere of SEPA transfers and direct debits, provision of a "frequent operation" facility and final Swift document for the foreign trade functionality (CDI).

Caixadirecta

The Caixadirecta service provides individual customers with access to their accounts by telephone, online, mobile, sms and Windows 8, Android and iOS apps, based on needs and convenience. 163.7 million operations involving movements of € 4.3 billion were performed on all channels in the first half year, up 23% and 6% respectively over the same period 2013.

The telephone channel, at the end of June achieved 1.8 million contracts, performing 895,000 operations (up 37%) totalling movements of € 32.2 million (up 7.8%). The online channel maintained its growth trend in respect of contracts on a level of the active channel (9.1% over June 2013). This continues to be the most important channel for individual customers on a level of the amount of transactions with growth of 3.1%. On a transactional level, however, the app channel is achieving a fast growth rate, having, in the first half year, overtaken the number of operations performed over the whole of 2013.

Broadening of trading to Euronext Amsterdam, Brussels and Paris

Reference should be made, in the half year, to the expansion of trading to the Euronext Amsterdam, Brussels and Paris markets, with competitive pricing levels in terms of stock exchange trading fees. Facilities for viewing dividends, entering into savings contracts by telephone and the setting of "Trusted Beneficiaries" parameters were also launched.

Caixa Plim

Caixa *plim*: a pioneering mobile app service

Caixa *plim* was launched at the start of the year. This is a pioneering service in the domestic market for mobile banking apps, enabling the transfer of small amounts simply and directly with no charges, using only a recipient's mobile telephone number. For CGD's individual customers this current account solution must be associated with a mobile telephone number, making it easy to pay for minor expenses (taxi-sharing, gifts, lunches...).

Caixa Contact Centre

The Contact Centre is available 24/7. It processes incoming contacts and operations, provides services and outgoing actions and is responsible for efficient contact management. It also provides information to customers and non-customers and leverages, resource-taking operations.

880,000 calls, including informational and transactional requests, were received in June. Around 240,000 calls were made and around 185,000 customers contacted.

Distance channels

Strengthening of accessibility approach: distance branches with 130,000 customers

Distance branches are an innovative approach to the service model, providing a 24/7 service for the management and oversight of such strategic segments as university students, recent graduates and residents abroad. They already serve around 130,000 customers and have a turnover of more than € 1 billion.

MEANS OF PAYMENT

CGD's means of payment, as regards its card issuing and acquiring components, in first half 2014, in line with CGD's general guidelines, pursued a policy of:

- Cost reductions based on portfolio rationalisation/optimisation;
- Business promotion based on initiatives designed to improve profitability;
- Market differentiation based on low cost innovative, exclusive products.

Issue of cards

Caixa continued to be the undisputed leader in terms of its domestic market share of bank cards, in a scenario of a still low level of recovery of consumption in comparison to the same period 2013.

Caixa continued to rationalise/optimise its portfolio to keep pace with the new regulatory framework and further reduce costs. This was accompanied by the continuity of its commitment made over the last few years to develop exclusive, innovative, differentiating, pioneering strategies in which we are considered a to be a benchmark operator.

Additional actions were taken to prevent the risk of default and implement the control of overdue credit.

Customer communication was improved, with information on card defaults now being included in notices of global default sent to customers in alignment with Caixa's other credit products.

Launch of new products/functionalities

New cards

"You'll feel yourself to be a priority on the public transport system" recognised as "… the campaign with the greatest current impact…".

Following the issue of the Caixa Viva card, at the end of 2013, as the first bank debit card permitting the automatic payment of journeys on the public transport system in the Lisbon metropolitan area, we also launched a campaign whose main message was "You'll feel yourself to be priority on the public transport system". The strong message conveyed by the campaign, accompanied by "disruptive creativity" in the form of a "pregnant man" earned Marketeer's recognition as "… the campaign with the greatest current impact…".

This new product was intended to leverage the unlimited potential and forms of use of contactless technology and became an important international case study. This is a multifunction card, combining contactless technology with payment innovation. It is of significant benefit to Caixa customers in providing them with a user-friendly payments system for public transport.

The above referred to *Caixa OnBizz* card was issued in an attempt to complement the offer of means of payment in the corporate segment.

Launch of the *Caixa Essencial* card, as a more affordable solution for Caixa customers who prefer to use the *Caixautomática* service.

New functionalities

The multidisciplinary teamwork to facilitate customers' and potential customers' contacts with Caixa, in the sphere of viewing the information contents of the cards available at *cgd.pt*, resulted in the creation of a call-back service enabling the site's users to enter their personal data for latter contact by Caixa.

New call-back service

In endeavouring to expand the range of card subscription channels and in light of the current importance of mobile channels, customers were given the possibility of using the current mobile app to apply for cards, improving accessibility, comfort and convenience.

To improve the profitability of several already existing developments the following functionalities were extended to more products:

- "Choice of images" service for:
    - The "Pro Rock" prepaid card, associated with the Rock in Rio Summer Festival;
    - *Business Classic* – enabling companies to opt for personalising the image on the card.
- Instant card issuing service – provision of new *Caixa IN* (credit) and *Caixautomática Maestro* (debit) cards at the 13 branch offices supplying this service.
- *Win Win* operations – broadened to include new wholesalers.

The partnerships portal at *www.vantagenscaixa.com*, *LojaVantagens* online shop and Facebook profile continue to be used as instruments for knowledge on and improved relationships with customers in terms of their personal interests and the offer available to provide for such interests, both on a level of establishing partnerships, improved relationships with partners and prospecting for new subscribers and increased sales.

A new "hobbies" app permitting automatic updates every fortnight was developed.

Acquiring service

Caixa's acquiring service maintained its promotional strategy for the *netcaixa* brand and identification of new business opportunities, enabling Caixa to achieve differentiation based on quality and innovation in the electronic payments market while simultaneously sustaining its growth of market share. The multibrand *acquiring* service has fuelled the good performance of Caixa's automatic payment terminals, which have achieved higher than market average growth rates and higher transaction rates than measured by its respective market share.

In accordance with the plan for 2014, work continues to be carried out on campaigns to incentivise growth of market share, simultaneously accompanied in the first half, by various initiatives designed to strengthen the business, particularly including:

Contactless technology pilot scheme

Contactless technology for small payments

Caixa helped LIDL to pioneer the use of contactless payments solutions in major retail outlets, reinforcing the strategy in terms of innovation and quality of customer service.

This service enables amounts of up to € 20 to be paid without the need to enter a PIN code by simply placing the card next to the terminal. This reduces average transaction and queuing times. In terms of additional security, users must enter a PIN code when an amount of € 60 is spent on various payments. The PIN code is always required for payments of more than € 20.

Contactless payments are expected to be available at all LIDL shops by mid August.

Eos Parking – Virtual parking meter

Caixa, using its netcaixa online service and Empark have provided an innovative market solution in the form of *eosParking.* This is a virtual parking meter which enables card subscribers to pay for their vehicle's parking costs by smartphone or tablet, without any additional concerns, i.e. without any need for coins and using a mobile phone to renew or extend parking times.

Eos Parking: an innovative parking solution

This partnership shows that Caixa is at the forefront of the new technologies in the form of a project representing a significant step forward in terms of innovation for mobile payments in Portugal. This is the first fully post-paid system in which customers do not need to carry any cash to be able to make payments.

This new payment system is characterised by innovation, user-friendliness and security, in providing users with a vast range of functionalities.

The system is already operational in Portimão, Sesimbra, Vila Nova de Gaia, Vila Real, Amadora, Lagos, Figueira da Foz, Setúbal, Beja and Faro and is ready for use in Lisbon.

Campaigns

Reference should be made in the "transversal" campaigns sphere to actions related with VISA and MasterCard network cards, in endeavouring to leverage synergies with international networks, in the form of VISA-World Cup and MasterCard-UEFA Champions League billing campaigns.

Business promotion operations also including "split payments" with the deferral of the first payment to March, were organised with various traders between November 2013 and January 2014.

Several campaigns associated with "Caixa Assets", to reward customers' use of cards and respective *netcaixa* terminals were developed:

- Caixa, as the official sponsor of *Rock in Rio - Lisbon 2014* – installed around 150 automatic payment terminals using innovative technology on various stands at the Rock In Rio Festival, incentivising the payment of transactions with cards and facilitating the queue operations and management of subscribing merchants as opposed to cash payments.
- Corporate subscribers were given special terms and a service of excellence in terms of support and permanent technical assistance, *in situ*.

The reinforcement of Caixa's innovation and pioneering status for means of payment, particularly included the following actions at Rock in Rio:

- A video providing information on Caixa's following payment solutions shown in the enclosure:
  - Mobile payments: presentation on several examples of proximity payments, internet payments, vending and parking.
  - New technologies associated with cards: contactless (issue and acceptance); Caixa Viva; Caixa IU (payment and access control features) and automatic split payments at point of sale.
- Provision of Facebook-integrated interactive advertising displays to advertise contents and the dynamic promotion of the *Made by* card. These items of equipment permit the capture of images (photographs, with festival-related accessories) to personalise the virtual *Made by* card, as well as the automatic advertising thereof, using RFID wristbands on Facebook profiles.

Rock in Rio 2014:
- 150 APTs with state-of-the-art technology
- information on payment solutions
- interactive display panels

A Caixa Visa card campaign also took place at Rock in Rio, with the aim of achieving subscriptions for and the use of the card's ticketing facility, backed by the international MasterCard network.

- Restaurant Week – to boost the means of payment associated with a project with a recognised social component, Caixa was the main partner in the second edition of Portugal Restaurant Week (PRW). This is a food and drink event held between 27 February and 09 March, in which around 150 aspiring restaurants took part nationwide.
- Castilho Pink Day – Caixa was also the official sponsor of Castilho Pink Day. This annual event is organised by the Lisbon City Hall with the backing of the Union of Commerce and Services Associations, as part of the Lisbon Shopping Destination programme which aims to liven up the city centre and traditional commerce, with advantages for Caixa customers using CGD cards when making purchases in shops subscribing to the programme. In addition to promoting, publicising and boosting card use at this event, Caixa also gave presentations on the use of contactless technology with a contactless *netcaixa* automatic payment terminal showing customers, *in loco,* the advantages of a user-friendly, secure, fast, innovative service.
- "Golden Seat" (2013/2014 season) – Caixa committed to continuity in incentivising Benfica card subscriptions, with brand activation operations at Benfica's Stadium of Light on game days.

4.2. SPECIALISED CREDIT

SPECIALISED CREDIT SECTOR IN PORTUGAL

According to provisional market data, the financial leasing sector enjoyed 20.2% year-on-year growth, albeit with different growth rates on real estate (up 4.0%) and equipment (up 29.6%) leasing products. The factoring sector continued to trend to negative in contracting by 5.5%.

Financial leasing up 20.2%

TABLE 11 - SPECIALISED CREDIT SECTOR PRODUCTION (PORTUGAL)

(million euros)

	Jun/13	Jun/14 [(a)]	Change (%)
Property leasing	264.6	275.3	4.0%
Equipment leasing	455.5	590.4	29.6%
Factoring	10,826.0	10,227.8	-5.5%
Consumer credit	1,831.2	n.a.	n.m.

Source: ALF (Portuguese Leasing, Factoring and Renting Association)
(a) Provisional amounts (June 2014).

CAIXA LEASING E FACTORING

Caixa Leasing e Factoring, Instituição Financeira de Crédito, S. A. (CLF), represents CGD Group in the specialised credit, financial leasing (property and equipment), factoring and consumer credit sectors.

Growth in all leasing and factoring products

New loans in the first half year were up for almost all products (82.0% for property and 37.9% for equipment leasing, 3.1% for factoring and 21.4% for consumer credit.

TABLE 12 – CGD GROUP SALES – SPECIALIZED CREDIT

(million euros)

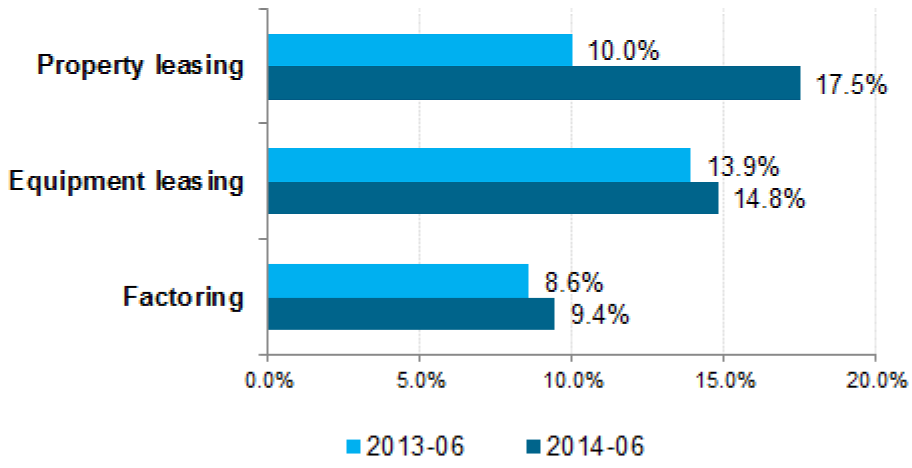
	Jun/13	Jun/14	Change (%)
Equipment leasing	26.5	48.2	82.0%
Property leasing	63.5	87.5	37.9%
Total leasing	**89.9**	**135.7**	**50.9%**
Factoring	**933.1**	**961.8**	**3.1%**
Consumer credit	**1.9**	**2.3**	**21.4%**
Of which:			
Vehicle finance [(a)]	**23.0**	**35.5**	**54.3%**
Equipment leasing	21.5	33.4	55.3%
Consumer credit	1.5	2.1	39.3%

(a) Light vehicles.

Strengthening of lead in equipment leasing and market share of property leasing (second place)

In terms of provisional market shares, the company retained its lead of the equipment leasing sector with a market share of 14.8% against 13.9% in June 2013, coming second in terms of property leasing (as opposed to fourth place in June 2013), with a market share of 17.5% against 10.0% in June 2013. CLF retained fourth place in the factoring sector ranking with a market share of 9.4% against 8.6% in June 2013.

CHART 7 – CGD GROUP MARKET SHARES [1]



Source: ALF (Portuguese Leasing, Factoring and Renting Association)
(1) Provisional amounts (June 2014).

Caixa Leasing e Factoring's net assets were down 10.7% owing to the 11.9% decline of the loans and advances to customers portfolio (net of provisions).

Although net interest income and net operating income were up 0.7% and 12.3%, respectively, defaults on loans and advances to customers comprised € 13.8 million against € 31.8 million in 2013 in the adjustment of amounts associated with credit (net of recoveries and cancellations) account heading, consequently resulting in net losses of € 4.8 million.

TABLE 13 – CLF - MAIN FINANCIAL INDICATORS

(million euros)

	Jun/13	Jun/14
Net assets	2,482.9	2,216.8
Loans and advances to customers (gross)	2,534.0	2,267.5
Provisions for overdue credit, bad and doubtful debts and foreign credit (balances)	-207.3	-217.2
Shareholders' equity	57.7	61.9
Net income	-29.8	-4.8
Share capital	10.0	10.0
Group %	51%	51%
Employees [a]	187	185

(a) Employees = permanent employee complement + fixed-term contracts + staff on loan to CLF – staff on loan to group

4.3. INTERNATIONAL AREA ACTIVITY

Strengthening of international activity as a strategic thrust for the group's profitability

International business is one of CGD Group's main strategic thrusts in terms of its convergence to a sustained profitability trajectory, commensurate with its benchmark status in the Portuguese economy, in which it continues to be a major driving force.

During the course of 1st half 2014, Caixa continued to oversee and develop a series of initiatives and activities, with the objective of maximising growth potential and cross-border business, exploiting synergies and developing links between its domestic network and foreign businesses (notably in France, Angola, Brazil, Mozambique, South Africa and China/Macau).

Caixa therefore made a major effort to align cross-border activity for the development of relationships with customers operating in the international sphere in these markets and to expand its foreign and particularly intra group trade.

Reference should be made to CGD's organisation of a series of promotional and business empowerment actions, both in Portugal as in several of its priority markets, notably Mozambique and Macau.

This effort translated into significant growth of foreign trade business and the number of companies using Caixa as their cross-border business support bank.

Support for the internationalisation of the best SMEs

To complement its backing for the current international processes of Portuguese companies, CGD has also set up various concessionary lines of credit for Portuguese exports, comprising a global amount of € 1,650 million, including 129 projects during their respective prioritisation periods under which an amount of € 68 million was disbursed in 1st half 2014. Reference should be made to the concessionary line of credit for social housing in Cape Verde, both on account of the number of projects and companies involved.

Reference should also be made to the permanent negotiations on the terms of the respective lines of credit for Portuguese exports, notably extensions of periods scheduled for project disbursement purposes.

In addition to the operations included in its lines, Caixa has structured and submitted various tailor-made loan proposals providing for the specific needs of importers of Portuguese goods and services, enabling Portuguese exporting companies (applying for this type of support) to extend credit facilities to their local customers in various markets.

Positive contribution to consolidated net income from international activity as a consequence of the trend reversal in Spain

The international branch office network, including Spain, contributed € 5.5 million to consolidated net income in the half year against consolidated losses of € 54.6 million for the same half year 2013.

This reversal was only possible on account of the visible, profound, ongoing restructuring process in Spain. This has taken the form of a major streamlining of the branch office network and employee complement and, no less importantly, reorienting business to individual customers and SMEs, particularly concentrating on the Iberian business. This is a natural process owing to the importance of cross-border commercial flows.

The bank's successful containment of impairment levels, together with cost reductions, have enabled it to counteract the effect of the reduction of margins (also associated with the reduction of key reference rates). BCG (Spain) made a profit of € 12.0 million against losses of € 9.6 million for the same half year 2013 and the branch reduced its respective losses by 81% from € 73.2 million, in June 2013 to € 14.0 million in June 2014.

TABLE 14 – INTERNATIONAL AREA'S CONTRIBUTION TO CONSOLIDATED NET INCOME

(million euros)

	Jun/13	Jun/14	Change
Subsidiaries in Africa and Asia	43.4	40.6	-2.7
Other subsidiaries and branches	-97.9	-35.1	62.8
Total international	**-54.6**	**5.5**	**60.1**
Total international, excluding Spain	**35.8**	**8.2**	**-27.6**

CGD's businesses in Africa continued to perform well, with BCGT Angola and BCI Moçambique contributing € 7.4 million and € 6.4 million, to net income, respectively.

BNU Macau's net income was up 3.8% to € 19.5 million at the end of the half year.

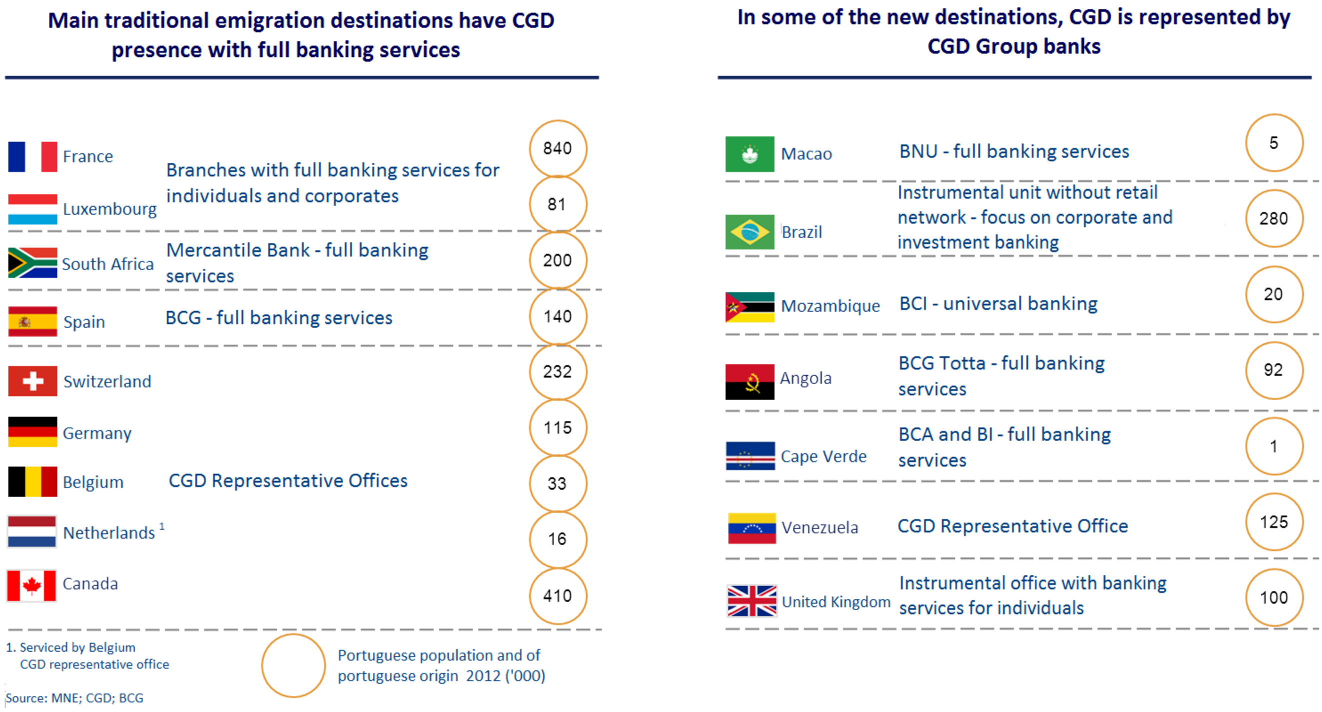
Reference should also be made to the London Branch's expressive evolution of net income with € 4.8 million.

Although representing only around 20% of the group's total assets, international activity's contribution of 38% to consolidated net operating income, in June, confirms this segment's efficiency and growth potential.

Caixa has also been paying special attention to its individual customers resident abroad segment, endeavouring to accompany its traditional customers and assist a new class of "emigrants" who continue to seek job opportunities outside the country.

With the objective of maintaining a close relationship with current and potential customers, CGD has been consolidating its distance service models, investing in the growing qualification of the group's businesses abroad, namely its network of representative offices and the individual customers areas of branches and subsidiaries and other group retail banking businesses.

The following chart presents a schedule of CGD's operations in countries of greater relevance in terms of emigration:



The increase in the total resources-taken aggregate, in the individual customers resident abroad segment in 1st half 2014 has surpassed 1%. This result is particularly explained by customers resident in Brazil, Angola and the United Kingdom.

As regards the countries of destination of new emigrant customers, reference should be made to the United Kingdom, Switzerland and France, on account of their dimension.

Integral approach to residents abroad: more cross-selling between individual customers and international corporates

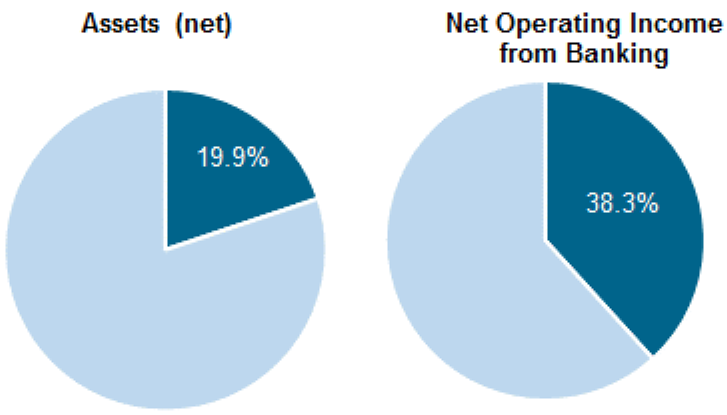
In this period, Caixa endeavoured to boost its cross selling operations between individual customers resident abroad and companies operating in the international sphere, in its awareness of the relevance of a global, integrated commercial approach to customers.

Confirming the group's strategy of tightening its focus in regions with high growth potential, important contributions continued to be made to the group's net income levels in Asia, with BNU Macau making a first half profit of € 19.5 million. BCI Moçambique, in Africa, contributed € 6.4 million (equity stake of 51%). BCG Totta Angola contributed € 7.4 million (equity stake of 26.01%) and Mercantile of South Africa contributed € 4 million.

Representing around 20% of the group's total assets, the international area's 38% contribution to net operating income indicates the efficiency and business potential of Caixa's international segment.

CHART 8 – CONTRIBUTION MADE BY THE INTERNATIONAL AREA

International activity accounts for 38% of consolidated net operating income



Maintaining its traditional commitment to culture and social development, not only in Portugal but also in its operating countries, CGD Group has a *Lusophone space*_mediatheques network in partnership with *IPAD (Instituto Português de Apoio ao Desenvolvimento).* There are eight mediatheques: three in Mozambique (Maputo, Beira and Nampula), three in Cape Verde (Praia, Mindelo and Espargos), one in Timor and one in S. Tomé. A mediatheque is currently under construction in Luanda, Angola.

PERFORMANCE OF CGD'S MAIN FOREIGN BUSINESSES

Spain

Spain: restructuring plan in progress permits reversal of loss trend

Spain's GDP was up 0.5% in first half 2014, at a higher rate than the EU average. This trend, according to various forecasts, is likely to continue. Domestic demand, up 0.7% during the period, was the engine behind this growth, for the first time since the onset of crisis. In spite of higher exports and an increase of more than 9% in the number of tourists visiting Spain, the trade gap increased during the period owing to the dynamics of domestic demand.

The fact that the country-risk premium for the half year, measured by the yield on 10 year sovereign debt, was significantly down to 140 points at the end of July, has enabled the Spanish Treasury to borrow at progressively lower rates in international markets.

The unemployment rate, however, is still too high and in spite of embarking upon a slow decline, still affects almost 25% of the working population, more than three times the 2007 pre-crisis percentage.

Businesses and households continue to deleverage and increase their savings and self-financing capacity, limiting growth of bank credit.

The financial sector, notwithstanding the persistence of high levels of default, has benefited from an across-the-board improvement of conditions in the Spanish economy and reduction of the cost of deposits and other sources of finance, to improve its profitability, solvency and liquidity indicators. Banks have endeavoured to tie in their customers with more services to businesses, particularly exporting SMEs.

Banco Caixa Geral (BCG) has continued to implement the restructuring programme agreed with DGComp and scheduled for completion in 2015. This will involve streamlining its network and employee complement and meeting margin, costs and turnover targets.

The branch office network was reduced in the first few months of the year, to 113 branches. The bank has re-centred its activity on its traditional areas while continuing to be the Portuguese bank with the largest network in the Spanish market (in communities such as Madrid, Galicia and Estremadura) having stronger ties with Portugal or less capillarity (Catalonia, Basque Country, Asturias, Valencia, Castile-León, Andalucía and Aragón)

BCG's current smaller credit portfolio, is in a position to achieve a better and more sustainable level of profitability. The loans-to-deposits ratio is declining (one of the limits imposed to limit business risk).

The June 2014 default ratio was 2.9%.

BCG reversed its losses of the last three years in first half 2014, achieving net income of € 12.0 million in comparison to losses of € 9.6 million for the same half 2013. The bank intends to remain committed to backing Portuguese enterprises which operate in the Spanish market and to the Spanish market and Spanish companies exporting to markets such as Europe, Africa, South America and Asia, in which CGD Group already operates.

France

There was a slight 0.3% upturn in economic activity in France over the second quarter, with a modest growth forecast of 0.7% for the year as a whole. Weak external and domestic demand and the huge decline of household investment explain the moderate evolution of GDP. The diverse factors blocking the expansion of the economy particularly include a continued high level of unemployment (10.2%) and its limiting effect on the acceleration of private consumption and real estate investment, in addition to the public finances consolidation process, translating into a structural commitment of € 50 billion.

France: good performance by branch in a still weak macroeconomic context

In spite of the unfavourable macroeconomic context and a highly competitive market, France branch maintained its rate of activity with relatively inexpressive changes in its net credit and customer resources (both down 1.9%, over the same date last year).

The branch has taken several steps to improve efficiency, turnover and quality of customer service. This particularly includes the *PEREN* ("People, Efficiency, Risks and Business") programme, promotion of bilateral trade between Portugal and France and sales of CGD Group property in the French market.

Angola

Angola's economy, in the period 2013-2017, according to the IMF's 2nd post-programme monitoring report, is expected to grow by an average 4.8%, instead of the 5.7% projection announced in October 2013 as opposed to the 6.9% average contained in the government's National Development Plan 2013-17. The IMF also downgraded its 2013 GDP forecast from 5.6% to 4.1%, as well as its 2014 forecast from 6.3% to 5.3%.

The IMF has also drawn attention to the fiscal deficit of 1.5% of GDP in 2013 as opposed to a 5.1% surplus in 2012, owing to the sharp fall of oil revenues, in addition to the fact that non-oil revenues and investment expenses failed to achieve their respective targets. The 2013 deficit was, however, smaller than forecast in the state budget as average oil prices were $107 barrel in comparison to the $96 used for budget calculation purposes. Non-oil revenues were 7% of GDP in 2013, in comparison to the preceding year's 9.2%, notably on account of delays in adopting tax reforms.

The IMF has recommended the continuation of an economic diversification policy based on balanced support mechanisms for credit to the private sector and continued investments in infrastructures.

BNA published *Instruction* 3/2014 of 3 April, which came into effect on 11 April. The *Instruction* set a 3% spread cap on the effective exchange rate (nominal rate plus all fees and gross tax costs) to be charged on all currency sales operations. The exchange rate on purchases and sales of foreign banknotes and travellers cheques are however, freely negotiated. This regulation also requires sales to *bureaux de change* to comprise solely notes and travellers cheques.

BCGTA: oversight of Portuguese companies – support for entrepreneurship and financial inclusion

Banco Caixa Geral Totta de Angola's (BCGTA's) strategic focus is in corporate banking in key sectors of the Angolan economy, notably oil and diamonds, in addition to the premium individual customers' segment.

The bank furthered its oversight policy on the business affairs of CGD Group customers in first half 2014, both in terms of backing Portuguese companies with investment processes in Angola and foreign trade between Portugal and Angola and between other geographies in which the group operates as well as the internationalisation of Angolan companies in Portugal or countries in which CGD Group operates.

BCGTA has been actively involved in backing entrepreneurship in Angola, through its *Angola Investe* ("Angola Invest") programme. *Angola Investe* seminars for businesspeople were held in Lobito, Lubango and Luanda.

The bank has also contributed to financial inclusion in Angola, with an increase in the geographical coverage of its personal customers network as well as the supply of electronic channels which comprise a powerful instrument in such a large country.

BCGTA has committed to developing such banking services as leasing and insurance and electronic channels while continuing to reorganise several key areas with the aim of improving the flexibility of processes and quality of its customer service.

Mozambique

According to the National Statistics Institute (INE) Mozambique's economy posted growth of 7.5% in first quarter 2014, in comparison to the same period 2013. Good economic performance in first quarter 2014 mainly resulted from growth of 11.5% in the secondary sector, particularly manufacturing with growth of 12.5%. The tertiary sector, in turn, came in second place with growth of 8.0%, particularly fuelled by commerce and repair services with a positive change of 10.1%. The primary sector also turned in a positive 6.2%, owing to mining (13.4%).

BCI Moçambique: expansion of services with growth of network

GDP growth forecasts for 2014 remain highly optimistic, at around 8%. Mining output has fuelled the transport and communications, financial services and construction sectors.

Prospects for medium term growth also continue to be favourable, with GDP being expected to grow at more than 7% over subsequent years. These estimates are however contingent upon the results and impacts of the October presidential elections and the final investment decision in the liquefied natural gas sector.

According to the IMF, Mozambique's main short term challenge is to maintain the thrust of growth and contain the fiscal expansion forecast for 2014, which reflects both the pressures in a year of elections and expenses backed by extraordinary revenues and external debt.

The upwards trend on inflation up to April 2014 (4.03%) translated the effect of the floods which devastated the country at the start of the year, in conjunction with a trend towards higher inflation levels in the South African economy. The objective for the 2014 annual inflation rate was set at 5.6%. The outlook for the evolution of food and energy prices and growth of agricultural production should help to achieve this objective.

Accumulated inflation in May and June 2014 was down 3.38% and 2.00%, respectively, as a reflection of the seasonal effect allied with the stability of the metical, in a context in which the system's liquidity has evolved in line with the objectives established in the monetary programme defined for the year.

Banco Comercial e de Investimentos (BCI) is Mozambique's second largest bank and is particularly characterised in the banking sector in the region by its credibility, continued endeavours to innovate and adoption of social inclusion practices, notably its contribution to increasing the population's access to and use of banking services .

The bank strengthened its presence in several of the main urban centres and development corridors in first half 2014, having opened an additional 8 branch offices (Marrupa, Macomia and Chiúta) in responding to the Bank of Mozambique's appeal for commercial banks to extend their financial services into rural zones, strengthening their commitment to promote the use of banks and economic growth in Mozambique.

BCI's network of 139 branch offices, at 30 June, accounted for 26% of Mozambique's total banking system network.

BCI has also developed a multichannel approach to customer relationships. Reference should be made, up to June 2014, to the growth of the ATM network to 362 terminals (up 33) and POS terminals to 5,114 (up 420).

BCI reaffirmed its position as a leading bank in Mozambique's financial system, in May 2014, having maintained its ranking as the second largest bank with market shares of 29.02% in credit and 28.22% in deposits. BCI came first in asset volumes with a market share of 29.19%.

BCI and *IPEME - Instituto para a Promoção das Pequenas e Médias Empresas* renewed their memorandum of understanding in Maputo, on 27 February, committing the two institutions in the sphere of the bank's backing of the nationwide expansion of Businessmen's Advisory Centres *(COrE).*

Global Banking & Finance Review distinguished BCI as the best commercial bank 2014 (for the 2nd consecutive year) and best retail bank 2014

The international "Global Banking & Finance Review" magazine awarded BCI its "Best Commercial Bank 2014" and the "Best Retail Bank 2014" prizes, for the second consecutive year.

Cape Verde

Cape Verde's economic indicators suggest a slight improvement in domestic economic activity. Average annual inflation in May has continued to trend downwards to 0.4% since July 2013.

The domestic demand indicator, monitored by the Bank of Cape Verde, has trended to a more favourable year-on-year evolution, over the last three months, mainly as a result of higher imports of investment goods.

General lending remained virtually stagnant, as a reflection of the banks' prudent attitude to credit risk. Foreign direct investment and disbursements of private foreign debt continued to trend sharply downwards

Mainly on account of higher goods imports, the net external demand indicator consolidated its downwards trend in force since the end of March. It also suffered the effects of the unfavourable evolution of tourism revenues.

Reference should also be made to the reduction of emigrants' remittances, in spite of the trend towards economic recovery in the main host countries for Cape Verde emigration.

The Budget Support Group mission, in 2014, has held around 30 meetings since 5 May and according to the Minister of Finance of Cape Verde the final balance was positive. Progress achieved in the areas of agriculture, health and social protection and "good management" achieved by the country were acknowledged, although concerns remain over the public and fiscal deficit.

Cape Verde: BCA and BI with 42 branch offices covering all of the islands on the archipelago

The OECD, in a report published in 19 May 2014, in Paris, considered that Cape Verde could achieve growth of 3.1% in 2014 if the eurozone achieves any level of dynamism and if the tourism sector recovers.

Banco Comercial do Atlântico (BCA) committed to maximising its net operating income and profitability in the first half year and continues to prospect for business of value to the bank.

The recessionary environment was reflected in the commercial activity of CGD Group banks in Cape Verde, Banco Comercial do Atlântico and Banco Interatlântico.

Business performance and evolution therefore continued to be affected by a cooling market, whose effects were reflected in BCA's balance sheet.

BCA's market share of credit (gross) between December 2013 and June 2014 was slightly down from 39.4% to 39.2%, owing to the 0.7 pp decline in the proportion of loans and advances to individual customers.

BCA's proportion of overdue credit, in the system was down slightly to 35.3% in March 2014, notwithstanding 17.7% growth of overdue credit. The 19.5% growth of defaults in the system is indicative of the unfavourable situation affecting all banks. According to the supply of data up to March 2014, BCA while having a dominant share of customer deposits has been losing a certain amount of market share which was down from 40.2% in December 2013 to 39.5% in March 2014.

BCA installed three ATMs, as part of its proximity banking policy in first half 2014.

The bank won an honourable mention at the gala event held on the premises of the National Assembly on 10 May in the Natural Resources – Management and Conservation category with its "BCA Garden", created in the Serra Malagueta National Park.

Honourable mention for BCA's Garden in the Malagueta Natural Park

Although Banco Interatlântico's loans and advances to customers (net) posted a slight growth of 1.9% growth as a result of the economic situation, there continued to be an increase in delays within the system.

Reference should, however, be made to an increase of around 18.5% in resources taken from customers over June 2013.

The two banks, as a whole, have a network of 42 branch offices. CGD Group has a presence in all of the archipelago's islands.

São Tomé e Príncipe

The persistence of the global crisis in São Tomé e Príncipe has, over the last few years, prejudiced the local economy owing to the suspension of forecast foreign investments.

The persistence of the crisis in the eurozone and instability in North Africa have affected the archipelago's development schedule. This is exemplified by the suspension of the deep water harbour project and the building of two hotels with Libyan capital.

As regards financial activity and in spite of positive expectations over an economic upturn in 2014, the current economic situation is still being sharply affected by recent economic events in which risk, uncertainty and tight liquidity are major barriers to investors. These factors have led banks to take greater risks in resource-taking from customers and prospecting for new business, in a market of around 180,000 inhabitants and 8 banks.

Banco Internacional de São Tomé e Príncipe (BISTP) has retained its leading market position which it has endeavoured to consolidate in a market with ever increasing levels of competition and more demanding customers. BISTP continues to focus on providing innovative products, modernising and expanding its premises, to provide its customer with better reception facilities, greater domestic marketplace coverage and more customer proximity.

BISTP reopened its market branch in first half 2014, following expansion and renovation works.

Prudential, rigorous assets and liabilities management and a strong ambition to continue to be a partner with a strong presence in the social, economic and financial lives of the inhabitants of São Tomé and the state and creating more harmonious economic development has enabled BISTP, during the course of its activities to evolve positively and firmly in its pursuit of ever increasing financial strength.

BISTP remains the undisputed leader in São Tomé e Príncipe with a 68% share of the deposits market

The bank posted a slight drop of around 3.4% in credit. This was the result of a relatively non-expansionary credit policy, owing to the low level of economic activity and absence of major public and private investments over the last few years, as well as the possibility of defaults which remains high.

BISTP had a 68% market share of customer deposits, in May.

South Africa

South Africa is a multiethnic society with a huge variety of cultures, languages and religions. This multiplicity is reflected in the South African Constitution's recognition of 11 official languages.

The World Bank has classified South Africa, which is considered to be newcomer on the industrial scene, as an economy with medium-to-high earnings. It has the second largest economy in Africa and ranks 28th worldwide.

The country, in political terms, is dominated by the African National Congress which has around 60% of the seats in parliament. In 2014 the ANC, as the party in power, achieved 62.15% of the votes in the general elections.

South Africa's current population is estimated to be around 56 million with an unemployment rate of around 25%. There is a great deal of focus on job creation and upwards mobility, with significant budgets for housing and social welfare programmes.

Mercantile Bank: collaboration with AICEP and GGDA (Gauteng Growth and Development Agency), with a range of solutions for the internationalisation of Portuguese enterprises

GDP growth in South Africa stagnated in 2013, to only 1.9%, with the financial services sector continuing to account for a significant proportion of overall GDP, at approximately 21%. Its consolidated, sophisticated industry can be compared with many developed countries. The GDP growth forecast for 2014 is 1.7%, against the 1.9% posted in 2013.

Mercantile Bank, founded in 1965, operates in a niche commercial banking area and aims to achieve differentiation on the basis of a personalised service and tailored financial solutions for South African businesspeople.

As a niche bank, it offers a wide range of products and services to meet day-to-day corporate needs. As with any other South African bank, it is involved in most payment flows but has a bigger balance sheet than most of its peers.

Mercantile in collaboration with AICEP and GGDA (Growth and Development Agency) – with which the bank has entered into a business promotion protocol), has been successful in its range of CGD Group solutions to back Portugal's internationalisation, helping Portuguese enterprises to invest in or export to South Africa.

Macau

In the Orient, Macau's economy continued to perform well at a more vigorous rate than in the first quarter of the preceding year, achieving growth of 12.4% in the first 3 months of 2014. This was mainly fuelled by exports of services, investment and private consumption expenditure in a framework in which interest rates remained at historically low levels.

BNU Macau: modernisation and differentiation vis-à-vis competitors

Private consumption expenditure was up 4.7% in real terms in the first 3 months of 2014. Government expenditure was up 8.6% in the same period.

The labour market continued to be practically one of full employment (with unemployment of 1.7% at the end of June 2014 being the lowest ever recorded in Macau). This has led to wage hikes and difficulties in finding human resources.

The consumer price index was also up 6.18% in the first 5 months of the year.

Goods exports were up 13.4% and exports of services up 11.9% in the first 3 months of the year, the latter fuelled by an increase in the number of visitors and spend.

There continued to be a sustained favourable growth of gambling, tourism and connected activities. The 12.6% increase in gross gambling revenues in first half 2014, partly derived from the 9% increase in the number of visitors in the first 5 months of the year, in comparison to the same period of the preceding year.

The banking sector benefited from economic expansion. albeit in a context of more aggressive competition owing to the market entry of major banks from China, which has penalised the profitability of several companies.

Banco Nacional Ultramarino (BNU) is CGD Group's representative in Macau. It operates as a universal bank and continues to be one of the Territory's two mints in a context in which currency in circulation is continuing and is likely to continue to increase in the future.

In its twofold capacity as a mint and commercial bank, BNU is modernising its services, attempting to achieve differentiation *vis-à-vis* its competitors, based on the quality of its services.

BNU 3.8% growth of net income

The bank turned in a good level of performance in achieving a 10.8% increase in turnover, in the first 6 months of this year in spite of the already referred to intensification of competition in the banking sector, with its consequent impact on margins, deposit-taking from and loans and advances to individual customers.

Net income was up 3.8%, essentially on account of the growth in commissions (net).

East Timor

East Timor has, over the last few years, shown successive signs of progressive stability, in its consolidation of economic growth levels. Reference should also be made to endeavours to create a collection of legal instruments governing a series of limitations on economic activity which still subsist.

The "Strategic Development Plan" for the next 20 years is geared to the country's social development, infrastructures and economic development. This year's fiscal performance was below par although a certain "recovery" was noted in the second half of the year.

The above described socioeconomic context in which the financial sector has been developing, with the different commercial strategies of each of the commercial banks operating in East Timor is evident.

Timor: benchmark bank with a 40% share of the deposits and 50% share of the credit markets

Historically, the Timor branch has operated as the state's "Treasury" and is still the only institution to receive taxes and customs duties and with a certain level of penetration in the "civil servants and pensioners segment". It has a market share of around 40% of deposits and 50% of credit.

2014 was a year of significant change in the branch's commercial strategy. Reference should be made to the following aspects: i) major investments in electronic channels (the ATM network has doubled since 2013); ii) membership of the Visa network (issue of first debit and credit cards scheduled for 2015); iii) opening of 3 new branch offices (Liquiçá, Manatuto and Lospalos); iv) growth of the "loans and advances to individual customers/retail" segment.

Brazil

Brazil, as in 2013, went through a period of low economic growth in first half 2014. This will tend to persist in second half 2014. The latest indicators show that GDP, in 2014, is likely to grow at just over 1.0% with a forecast of close to or less than 2.0% in 2015.

In parallel, Brazil had a 6.3% annual inflation rate in first half 2014. This was higher than the target set by the Central Bank of Brazil but within the upper and lower limits owing to administered price controls. The increase in the current account deficit could, on the other hand, in 2014, be very close to the 2013 increase of € 78 billion dollars. This would have consequences for the depreciation of the Brazilian real.

BCG Brasil: support for the internationalisation of Portuguese companies and Brazilian companies with commercial or investment flows in Portugal and other countries in which CGD operates

Lastly, fiscal policy, in producing insufficient primary surpluses, has contributed to the perception of country risk and greater risks of a downgrade from the rating agencies. Internationally, Brazil, in first half 2014, came under the pressure brought to bear on emerging markets, with the announcement of a more restrictive monetary policy in the US. This could have significant consequences in terms of capital inflows. The outlook for 2014 is for capital inflows of 60 billion dollars.

Banco Caixa Geral Brasil (BCGB) maintained its strategy of backing the credit and investment operations of Portuguese companies in Brazil, Brazilian companies in Portugal and Portuguese speaking countries in first half 2014.

Credit operations were also up year-on-year with a 12.4% increase in the total credit portfolio. This growth is particularly relevant in a context in which private banks are continuing to lose out on market share to public banks.

Special reference should also be made to the following operations: i) coordinator for the share offer associated with the merger between Oi and PT; ii) financing structure for Belém Bioenergia (controlled by Galp and Petrobrás); iii) Financing for Brasturinvest (a Pestana Group subsidiary); iv) issuance of securitised debt for Azul Linhas Aéreas Brasileiras; v) participation in the financing structure and interest rate hedge on Globenet.

In addition to these businesses, CGD Group's international network also includes its New York, Cayman Islands, London, Spain, Luxembourg, Zhuhai and Macau branches and 12 representative offices on 4 continents.

4.4. INVESTMENT BANKING

Investment banking: CaixaBI earned net income of € 11.2 million in first half 2014

CaixaBI earned net income of € 11.2 million in first half 2014. Contributions included net commissions of € 26.5 million for the period and the positive performance of € 7.4 million in income from financial assets.

The current macroeconomic environment continues to negatively impact the bank's results which were affected by higher provisions and impairment totalling € 9.9 million in the quarter. Cost-to-income, at 25.2%, however, remained clearly below that of its peers.

CORPORATE DEBT FINANCE

CaixaBI came 1st in Bloomberg's ranking for bookrunners on bonds issued by domestic entities at the end of 1st half 2014. Particular reference should be made to the following bond market operations in which the bank was involved.

CaixaBI: 1st place in ranking for domestic bond issuances

- Republic of Portugal: joint bookrunner and joint lead manager for the tap issuance on Treasury bonds 2019, in an operation involving € 3,250 million signalling the Portuguese Republic's first access to the markets in 2014. Sole bookrunner and lead manager for a € 1,267 million notes issuance maturing in 2022, sold in a private placement. Co-lead manager for the tap issuance on Treasury bonds 2024, totalling € 3 billion.
- CGD: joint bookrunner and joint lead manager for the € 750 million covered bonds issuance, maturing in 2019.
- Brisa: joint bookrunner and joint lead manager for the € 300 million notes issuance which comprised the first Euromarket issuance by a Portuguese corporate in 2014.
- Participation in the Parpública, EDP, Altri/Celbi, Sonae Capital, FCP, BPCE SFH and Santander Totta issuances.

CaixaBI also organised and led nine new commercial paper programmes and completed thirty two extensions and/or revisions of the terms of past year programmes.

EQUITY CAPITAL MARKET

CaixaBI successfully completed the following equity market operations in 1st half 2014:

- REN: global coordinator and bookrunner for the reprivatisation of 11% of equity capital in the form of a secondary public offering on Parpública's (9.9%) and CGD's (1.1%) remaining equity stakes.
- José de Mello Energia: bookrunner for the accelerated bookbuilding process on a block of 94.8 million EDP shares for 2.59% of its equity capital.
- Sonae: co-lead manager for the issuance of Sonae SGPS, S.A. convertible bonds for an overall amount of € 210.5 million.
- Espírito Santo Saúde: co-lead for the initial public offering, comprising the sale of a 44.9% equity stake in the form of a public offering and institutional offer, accompanied by an increase in the company's share capital in a public subscription offer.

- Mota-Engil: bookrunner for the sale of an equity stake in Mota-Engil and the same company's treasury shares, in the form of an accelerated bookbuilding process on a block of 16.8% of the issuer's share capital.

CORPORATE FINANCE – ADVISORY

Corporate finance advisory services particularly included financial advisory services for the € 1.6 billion sale of CGD Group's insurance businesses to Fosun Group. This was last year's largest transaction in the insurance sector in Europe and the largest ever transaction involving a private Chinese entity in the European financial sector.

SYNDICATION AND SALES

CaixaBI participated in five primary market issuances as joint lead manager and bookrunner (Portuguese Republic, Parpública, CGD, Brisa and EDP), three issuances as co-lead manager (Portuguese Republic, BPCE and Santander Totta) and two private placements as sole lead manager and bookrunner (Altri/Celbi and Sonae Capital) in first half 2014.

CaixaBI was also involved in the IGCP sponsored repurchase of public debt operations, as well as in publicising and securing proposals from investors for Treasury bonds and Treasury bills auctions.

There were 83 commercial paper issuances comprising a total amount of € 997.4 million in the first half year.

BROKERAGE

CMVM data for the first five months of the year place CGD Group in 3rd position in the brokers ranking with a market share of 11.9% and 32% growth in trading volumes over the same period 2013. Special reference should be made to CaixaBI's contribution and participation in the following operations to this result:

- REN PUBLIC OFFERING: privatisation of 11.1% of capital.
- ESS IPO: first primary market operation for the year in Portugal.
- ABB Mota-Engil: accelerated bookbuilding process on around 16.8% of capital.
- ABB EDP: accelerated bookbuilding process on around 2.6% of capital.

TRADING – PUBLIC DEBT AND LIQUIDITY PROVIDING

CaixaBI continued to operate as a liquidity provider on a series of NYSE Euronext Lisbon listed securities. Reference should also be made to the bank's pioneering activity in the new segment created by NYSE Euronext designed to increase the liquidity of retail investors in the form of the "Retail Matching Facility".

Caixa BI: pioneering activity in Euronext's new Retail Matching Facility segment

CORPORATE RISK ADVISORY AND MANAGEMENT

In terms of risk advisory management, reference should be made to the continuity of coverage for the Luanda Shopping project's credit operations, strengthening CaixaBI's position as the group's competence centre for derivatives.

PROJECT FINANCE

Project finance particularly included the successful completion of the renegotiation of the Castellón Airport concession in Spain which culminated in the early repayment of the respective funding and completion of the economic-financial rebalancing of the municipal public water supply service concession of the municipalities of Santo Tirso and Trofa.

STRUCTURED FINANCE

Promotion of venture capital segment

Structured finance operations on a corporate basis particularly included the completion of advisory services for the financial reorganisation of Efacec Group, for an overall amount of around € 368 million.

VENTURE CAPITAL

CaixaBI continued, over the course of the first half to endeavour to secure and analyse investment opportunities eligible for inclusion in one of the four venture capital funds under Caixa Capital management. 14 of the total number of 87 projects under assessment were approved with 38 remaining under analysis. Approvals represented a potential investment of around € 100 million.

4.5. ASSET MANAGEMENT

There was an increase in the rate of growth of the volumes of assets managed by CGD Group in first half 2014 owing to individual customers' willingness to invest in unit trust funds and the appreciation in the value of institutional customers' portfolios.

TABLE 15 – AMOUNTS UNDER MANAGEMENT

(million euros)

	Jun/13	Dec/13	Jun/14
Unit trust funds	3,124	3,249	3,615
Property funds	1,497	1,455	1,410
Pension funds	2,282	2,464	2,655
Wealth management	17,457	17,432	18,342
Wealth advisory services	313	467	670
Total	**24,673**	**25,068**	**26,692**

Commissions

Asset management: 7.9% income growth

Income from CGD Group's assets management business was up 7.9% in June 2014 over the same half last 2013 to € 24.5 million.

TABLE 16 - COMMISSIONS

(thousand euros)

	Jun/13	Jun/14	Change (%)
Unit trust funds	8,214	9,538	16.1%
Property funds	7,771	7,390	-4.9%
Pension funds	1,611	2,012	24.8%
Wealth management	5,095	5,543	8.8%
Total	**22,691**	**24,483**	**7.9%**

UNIT TRUST FUNDS - CAIXAGEST

There was a net growth of € 366 million in unit trust funds over the first six months of the year. A contributory factor was good customer acceptance of money market, mixed and share funds commercialised in articulation with CGD's branch office network.

Money market funds warmly welcomed by customers

Caixagest managed 36 unit trust investment funds, with assets of € 3,615 million, globally invested in diverse international financial markets at the end of June.

TABLE 17 - FUNDS UNDER MANAGEMENT

(million euros)

	Jun/13	Dec/13	Jun/14
Money market funds	1,341	1,738	1,905
Bond funds	325	311	384
Funds of funds and mixed funds	109	155	279
Share funds	180	221	265
Special investment funds	498	499	503
Protected capital funds	672	326	278
Total	**3,124**	**3,249**	**3,615**

Commissions for the first six months of the year were up 16% over the same half last year to € 9.5 million.

WEALTH MANAGEMENT - CAIXAGEST

Caixagest continued to develop its wealth management service, on a proximity basis with CGD's branch office network and respective portfolio customers. Value proposals have been adjusted to the new environment with the aim of securing new customers.

Promotion of wealth management as part of a proximity approach by CGD's branch office network

Wealth management has increased in value by 6.4% since the start of the year to € 21,349 million, at the end of June.

TABLE 18 – PORTFOLIOS UNDER MANAGEMENT

(million euros)

	Jun/13	Dec/13	Jun/14
Insurance portfolios	11,833	11,778	12,005
Institutionals	5,465	5,497	6,162
Pension funds	1,973	2,157	2,337
Individual and corporate customers	160	157	175
Advisory	313	467	670
Total	**19,742**	**20,056**	**21,349**

Revenues from the portfolio management service up to June 2014 were up 8.8% over the same half 2013 to € 5.5 million.

PROPERTY FUNDS – FUNDGER

Assets from 28 property funds managed by Fundger totalled € 1,410 million, at the end of June.

In first half 2014, the Fundimo open-ended fund posted a negative volume of subscriptions owing to the declining appeal of property products in the current environment.

The continuing slowdown of activity affected the closed end funds managed by Fundger, most of which were allocated to property development and promotion. Fundger embarked, however, on the management of the Imovedras fund.

TABLE 19 - PROPERTY FUNDS UNDER MANAGEMENT

(million euros)

	Jun/13	Dec/13	Jun/14
Open-ended funds (Fundimo fund)	860	781	721
Closed end funds	637	674	689
Total	**1,497**	**1,455**	**1,410**

Commissions on property fund management were down 4.9% over the same half 2013 to € 7.4 million owing to the slowdown in collecting Fundimo fund redemption fees.

PENSION FUNDS - CGD PENSÕES

7.8% growth in funds managed by CGD Pensões

At the end of June 2014, the asset value of the funds managed by CGD Pensões was up 7.8% over the same half 2013 to € 2,655 million.

Reference should be made to the high growth rate of open-ended pension funds which doubled in volume in the first half year.

TABLE 20 - FUNDS UNDER MANAGEMENT

(million euros)

	Jun/13	Dec/13	Jun/14
Open-ended funds	2,169	2,303	2,358
Closed end funds	113	162	297
Total	**2,282**	**2,464**	**2,655**

Commissions earnings to the end of June were up 24.8% over June 2013 to € 2.0 million.

5. Results, Balance Sheet, Liquidity and Solvency

5.1. CONSOLIDATED ACTIVITY

5.1.1. RESULTS

Consolidated net income of € 130 million

Continuing along the road to profitability, starting first quarter 2014, CGD posted consolidated net income of € 130 million in the first half year in comparison to losses of € 182.7 million for the same half 2013.

TABLE 21 – CONSOLIDATED INCOME STATEMENT

(thousand euros)

			Change	
	Jun/13 (*)	Jun/14	Total	(%)
Interest and similar income	1,791,616	1,721,788	-69,829	-3.9%
Interest and similar costs	1,427,172	1,240,560	-186,612	-13.1%
Net interest income	364,444	481,227	116,783	32.0%
Income from equity instruments	52,942	27,987	-24,955	-47.1%
Net interest income incl. income from equity instrum.	**417,386**	**509,214**	**91,828**	**22.0%**
Income from services and commissions	344,833	323,410	-21,423	-6.2%
Costs of services and commissions	74,635	72,030	-2,604	-3.5%
Commissions (net)	270,199	251,380	-18,819	-7.0%
Income from financial operations	183,718	166,203	-17,515	-9.5%
Other operating income	12,882	-1,526	-14,407	-
Non-interest income	**466,799**	**416,057**	**-50,742**	**-10.9%**
Net operating income from banking	**884,185**	**925,272**	**41,086**	**4.6%**
Employee costs	388,369	352,542	-35,827	-9.2%
Other administrative costs	216,609	219,036	2,427	1.1%
Depreciation and amortisation	61,490	54,121	-7,369	-12.0%
Operating costs and depreciation	666,468	625,698	-40,770	-6.1%
Gross operating income	**217,717**	**299,574**	**81,856**	**37.6%**
Provisions and impairment of other assets (net)	141,430	45,719	-95,711	-67.7%
Credit impairment net of reversals	371,940	375,138	3,199	0.9%
Provisions and impairment	**513,370**	**420,857**	**-92,513**	**-18.0%**
Income from subsidiaries held for sale	**76,519**	**287,254**	**210,734**	**-**
Income from associated companies	**1,874**	**10,770**	**8,896**	**-**
Income before tax and non-controlling interests	**-217,258**	**176,740**	**393,998**	**-**
Tax	**-54,523**	**15,869**	**70,392**	**-**
Current and deferred	-67,090	975	68,066	-
Extraordinary contribution on the banking sector	12,567	14,894	2,327	18.5%
Consolidated net income for period	**-162,735**	**160,871**	**323,606**	**-**
Of which:				
Non-controlling interests	19,982	30,955	10,972	54.9%
Net income attributable to shareholder CGD	**-182,718**	**129,916**	**312,634**	**-**

(*) 2013 values are pro forma as Caixa Seguros e Saúde, SGPS's subsidiaries were included as non-current assets held for sale; the joint ventures were integrated by the equity accounting method, as required by IFRS 11; the associated company IMOBCI (Mozambique) was reclassified as a subsidiary and integrated by the equity accounting method, following the implementation of IFRS 10 which required a change in net income for the preceding year owing to the inclusion in the consolidation perimeter of two SPEs.

This evolution derived from several factors, notably net interest income, income from financial operations and continued cost reductions in line with the streamlining procedures of past years which were down 6.1% over the same half year 2013. Employee costs were down 9.2% in the period under analysis. Other operating income includes costs of € 5.0 million for the contribution to the resolution fund in 1st half 2014. The fund was created to provide financial support to the application of the resolution measures for the banking sector adopted by the Bank of Portugal.

Favourable evolution of net interest income

Reduction of operating costs

Gross operating income posted an expressive positive evolution of 37.6%.

TABLE 22 - GROSS OPERATING INCOME CONTRIBUTION BY BUSINESS AREAS

(million euros)

	Jun/13	Jun/14	Change Jun/14 - Jun/13	
			Total	%
Domestic commercial banking	62.0	102.3	40.3	65.0%
International activity	119.6	157.1	37.4	31.3%
Investment banking	38.5	49.0	10.6	27.4%
Other	-2.3	-8.8	-6.5	276.3%
Gross operating income	**217.7**	**299.6**	**81.9**	**37.6%**

In spite of the fact that interest rates remained very low and the existence of a highly aggressive credit segment market, Caixa's ongoing development of its repricing policy on borrowings enabled it achieve a further favourable evolution of its net interest income which was 32.0% up over first half 2013 to € 481.2 million in June.

The 22.0% change in net interest income, including income from equity instruments was not as marked as in the case of net income *per se*, owing to the negative effect of income from equity instruments (in a reducing portfolio context).

Good performance by financial operations

Income of € 166.2 million from financial operations in June 2014 continued to perform very well but was insufficient to enable non-interest income to achieve a positive change on account of the negative evolution of net commissions which, in a still relatively weak business environment, were down 7.0% year-on-year.

TABLE 23 - COMMISSIONS (NET) – CONTRIBUTION BY BUSINESS AREAS

(million euros)

	Jun/13	Jun/14	Change (%)
CGD Portugal	173.5	161.5	-6.9%
International activity	65.8	66.0	0.3%
Investment banking	32.4	24.6	-24.2%
Asset management	9.3	10.0	6.6%
Other	-10.9	-10.6	-
Total	**270.2**	**251.4**	**-7.0%**

A highly positive contribution was also made by € 287.3 million in income from subsidiaries held for sale, particularly deriving from the successful disposal of 80% of the equity of the insurance companies, as part of the group's strategic plan of concentrating on its core banking activity.

Furthering its rationalisation and operational efficiency policy CGD succeeded in cutting its operating costs even further, by 6.1% year-on-year. Reference should be made to the 9.2% reduction of employee costs, without any extraordinary measures having been taken to reduce the employee complement.

TABLE 24 - OPERATING COSTS AND DEPRECIATION

(million euros)

			Change	
	Jun/13	Jun/14	Total	(%)
Employee costs	388.4	352.5	-35.8	-9.2%
Other administrative expenses	216.6	219.0	2.4	1.1%
Depreciation and amortisation	61.5	54.1	-7.4	-12.0%
Total	**666.5**	**625.7**	**-40.8**	**-6.1%**

Decline in cost-to-income, owing to the effect of cost reductions and higher net operating income

The cost-to-income indicator was 66.8% against 75.2% in June 2013. This indicator has shown an expressive improvement as a result of the ongoing cost reduction process and progressive improvement in net operating income.

TABLE 25 - EFFICIENCY RATIOS

(%)

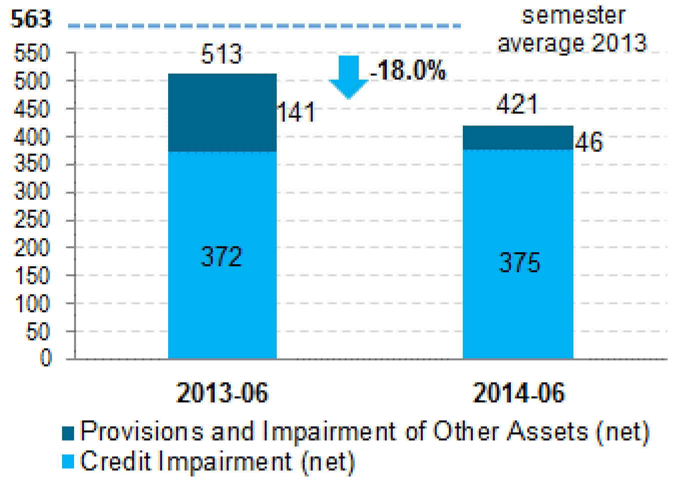
	Jun/13	Dec/13	Jun/14
Cost-to-income (1)	75.2%	81.6%	66.8%
Employee costs / net operating income (1)	43.8%	46.1%	37.7%
External supplies and services / net operat. income	24.4%	27.7%	23.4%
Operating costs / average net assets	1.2%	1.2%	1.1%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2012.

CGD's prudent approach to provisioning associated with a certain improvement in the financial situation of companies and a reduction of new cases of default, continued to be reflected in a total reduction of € 421 million in impairment at the end of 1st half 2014 (down 18.0% year-on-year 2013) and significantly down over the half year average of € 563 million in 2013.

CHART 9 – PROVISIONS AND IMPAIRMENT (P&L)

(million euros)



New reduction of total costs of provisions and impairment

TABLE 26 – PROVISIONS AND IMPAIRMENT IN PERIOD

(million euros)

	Jun/13	Jun/14	Change	
			Total	%
Provisions, net	37.0	24.1	-12.9	-34.9%
Impairment, net of reversal	476.3	396.8	-79.6	-16.7%
Credit	371.9	375.1	3.2	0.9%
Other assets	104.4	21.6	-82.8	-79.3%
Provisions and impairment for period	**513.4**	**420.9**	**-92.5**	**-18.0%**

Return on equity (ROE) was 4.92% (4.48% after tax). Return on assets (ROA) was, in turn 0.32% (0.29% after tax).

TABLE 27 – PROFIT RATIOS

(%)

	Jun/13	Dec/13	Jun/14
Gross return on equity – ROE (1) (2)	-6.04%	-9.37%	4.92%
Net return on equity - ROE (2)	-4.52%	-7.23%	4.48%
Gross return on assets - ROA (1) (2)	-0.38%	-0.59%	0.32%
Net return on assets - ROA (2)	-0.28%	-0.45%	0.29%
Net operating income (3)/ average net assets (2)	1.54%	1.51%	1.71%

(1) Calculated in accordance with Bank of Portugal Instruction 23/2012
(2) Considering average shareholders' equity and net assets values (13 observations)
(3) Includes income generated by associated companies

5.1.2. BALANCE SHEET

Disposal of 80% equity stake in insurance businesses reflected in reduction of balance sheet

The disposal of the 80% equity stake in the insurance companies, in May, was clearly reflected in the reduction of consolidated net assets, which were down 13.1% over the same half 2013 to € 100,234 million, in June 2014.

TABLE 28 – CONSOLIDATED BALANCE SHEET

(million euros)

				Change Jun/14 - Jun/13		Change Jun/14 - Dec/13	
ASSETS	Jun/13 (*)	Dec/13 (*)	Jun/14	Total	(%)	Total	(%)
Cash and claims at central banks	1,497	1,545	1,166	-330	-22.1%	-379	-24.5%
Investments in credit institutions	2,944	2,811	3,750	806	27.4%	939	33.4%
Loans and advances to customers	72,626	70,018	67,477	-5,149	-7.1%	-2,540	-3.6%
Securities investments	17,428	18,329	18,784	1,356	7.8%	455	2.5%
Assets with repurchase agreements	676	706	1,366	690	102.2%	661	93.6%
Non-current assets held for sale	13,562	13,444	737	-12,825	-94.6%	-12,708	-94.5%
Investments in subsidiaries and associated companies	38	42	307	269	704.9%	265	626.1%
Intangible and tangible assets	914	853	838	-76	-8.4%	-15	-1.8%
Current tax assets	82	129	114	31	38.0%	-15	-11.7%
Deferred tax assets	1,281	1,375	1,361	80	6.3%	-14	-1.0%
Other assets	4,339	4,224	4,324	-14	-0.3%	100	2.4%
Total assets	**115,387**	**113,477**	**100,225**	**-15,162**	**-13.1%**	**-13,252**	**-11.7%**
LIABILITIES							
Central banks' and credit institutions' resources	9,837	9,735	8,435	-1,402	-14.3%	-1,299	-13.3%
Customer resources	67,213	67,824	67,126	-86	-0.1%	-698	-1.0%
Financial liabilities	1,782	1,645	1,779	-3	-0.2%	134	8.1%
Debt securities	10,081	8,791	8,369	-1,713	-17.0%	-423	-4.8%
Non-current assets held for sale	11,559	11,591	0	-11,559	-100.0%	-11,591	-100.0%
Provisions	917	881	907	-10	-1.1%	26	3.0%
Subordinated liabilities	2,957	2,524	2,525	-432	-14.6%	2	0.1%
Other liabilities	4,105	3,803	3,874	-230	-5.6%	72	1.9%
Total liabilities	**108,451**	**106,794**	**93,016**	**-15,435**	**-14.2%**	**-13,777**	**-12.9%**
Shareholders' equity	**6,936**	**6,684**	**7,209**	**273**	**3.9%**	**525**	**7.9%**
Total liabilities and shareholders' equity	**115,387**	**113,477**	**100,225**	**-15,162**	**-13.1%**	**-13,252**	**-11.7%**

(*) 2013 values are pro forma as Caixa Seguros e Saúde, SGPS's subsidiaries were included as non-current assets held for sale; the joint ventures were integrated by the equity accounting method, as required by IFRS 11; the associated company IMOBCI (Mozambique) was reclassified as a subsidiary and integrated by the full integration method, following the implementation of IFRS 10. and the amounts reflect the application of IFRS 10 which implies a change to the preceding year's net income owing to the inclusion of two SPEs in the consolidation perimeter.

The 7.1% reduction on the balance of loans and advances to customers (net), which, in June, was € 67,463 million, continued to contribute towards the downwards balance sheet trend as a reflection of the continuation of higher repayment flows in comparison to new operations.

Less marked reduction of loans and advances to customers balance

There was an 7.5% increase of € 1,353 million in the amount of securities investments, including assets with repurchase agreements.

Total liabilities, down 14.2% by € 93,014 million, also reflected the effects of the disposal of the 80% equity stake in Caixa Seguros, in conjunction with a fresh reduction of borrowings from the ECB (down € 1,050 million over December) and the reduction of € 1,713 million in debt securities.

Customer resources remained virtually stable in comparison to first half 2013 at € 67,126 million, but were slightly up over the € 66,499 million registered in March 2014.

Stability of resources-taken

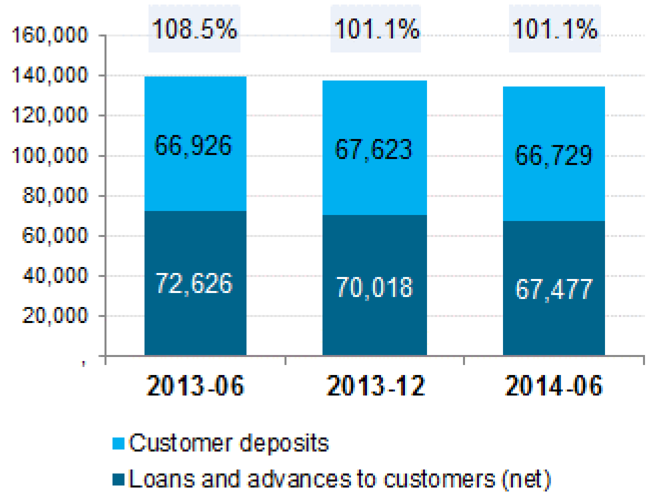
Resources performed well in a context in which Caixa proceeded to gradually reduce its interest rates on borrowing operations, which compete in the market with high yield savings instruments.

Off-balance sheet investments also continued to grow (up 6.8% over the same period 2013).

The loans-to-deposits ratio at the end of June was 101.1%.

CHART 10 – LOANS-TO-DEPOSITS RATIO

(million euros)



The credit overdue more than 90 days ratio was 7.0% in comparison to 5.9% in first half 2013.

A certain worsening of credit quality indicators particularly on account of the reduction of the portfolio balance

The credit at risk ratio, calculated in accordance with Bank of Portugal criteria, was 11.9%.

In spite of a certain deterioration, these indicators reflect the maintenance of asset quality, having been largely affected by the reduction of the average balance of the credit portfolio which, as already stated, is still declining. There were no material entries to the default portfolio in the period under analysis.

The cost of credit risk was 1.02% in June 2014 against 1.06% in December 2013.

Strengthening of prevention, control and default oversight mechanisms

No less importantly, Caixa has reinforced its credit prevention policies in all business segments, endeavouring to accompany and control the evolution of credit quality in this adjustment period of the Portuguese economy.

Caixa has therefore established oversight procedures on credit agreements to enable the early identification of default risk in order to quickly adopt respective anti-default measures.

TABLE 29 – CREDIT QUALITY (CONSOLIDATED)

(million euros)

	Jun/13	Dec/13	Jun/14	Change Jun/14 - Dec/13	
				Total	%
Total credit	77,063	74,530	72,366	-2,164	-2.9%
Loans and advances to customers (not due)	71,880	69,572	66,833	-2,739	-3.9%
Overdue credit and interest	5,183	4,958	5,534	576	11.6%
Of which: more than 90 days overdue	4,526	4,518	5,065	547	12.1%
Credit impairment	4,437	4,512	4,889	377	8.3%
Credit net of impairment	72,626	70,018	67,477	-2,540	-3.6%
RATIOS					
Non-performing credit / total credit (1)	7.4%	7.5%	8.8%	-	-
Credit at risk / total credit (1)	10.2%	11.3%	11.9%	-	-
Overdue credit / total credit	6.7%	6.7%	7.6%	-	-
Credit more than 90 days overdue / total credit	5.9%	6.1%	7.0%	-	-
Non-performing credit, net / total credit, net (1)	1.8%	1.6%	2.2%	-	-
Credit at risk, net / total credit, net (1)	4.7%	5.6%	5.5%	-	-
Credit impairment / overdue credit	85.6%	91.0%	88.3%	-	-
Credit impairment / credit overdue > 90 days	98.0%	99.9%	96.5%	-	-
Credit impairment (P&L) / total credit (average)	0.95%	1.06%	1.02%	-	-

(1) Indicators calculated according to Bank of Portugal Instruction 23/2012

Information on the distribution of consolidated net assets by entity is given below:

TABLE 30 – CGD GROUP – CONSOLIDATED NET ASSETS

(million euros)

CGD GROUP	Jun/13		Dec/13		Jun/14	
	Amount	Structure	Amount	Structure	Amount	Structure
Caixa Geral de Depósitos	75,490	65.4%	73,847	65.1%	73,101	72.9%
Caixa Seguros e Saúde	12,911	11.2%	12,771	11.3%	267	0.3%
Banco Caixa Geral (Spain)	5,374	4.7%	4,874	4.3%	4,620	4.6%
Banco Nacional Ultramarino, S.A. (Macau)	2,770	2.4%	3,263	2.9%	3,380	3.4%
Caixa Banco de Investimento	1,947	1.7%	1,783	1.6%	1,710	1.7%
Caixa Leasing e Factoring	2,447	2.1%	2,333	2.1%	2,190	2.2%
Banco Caixa Geral Totta Angola	1,242	1.1%	1,318	1.2%	1,422	1.4%
Banco Comercial Atlântico (Cape Verde)	623	0.5%	628	0.6%	641	0.6%
Banco Comercial Investimento (Mozambique)	1,726	1.5%	1,929	1.7%	1,965	2.0%
Mercantile Lisbon Bank Holdings (South Africa)	574	0.5%	519	0.5%	559	0.6%
Other	10,281	8.9%	10,212	9.0%	10,371	10.3%
Consolidated net assets	**115,387**	**100.0%**	**113,477**	**100.0%**	**100,225**	**100.0%**

5.1.3. LIQUIDITY

CGD started the year with a covered bonds issuance of € 750 million, with a maturity of 5 years and coupon rate of 3%. The issuance was warmly welcomed by investors, with more than 90% being sold outside Portugal, with subscriptions of € 3.9 billion. There was a marked improvement in this issuance's financing conditions in comparison to the 3.75% yield on the January 2013 issuance.

Favourable liquidity situation

Investor interest in CGD debt was clearly visible in order book quality and volume which were heavily oversubscribed. Demand was recorded from investors in more than 20 countries, including the more traditional markets, such as Germany, Austria and the United Kingdom.

New issuance of covered bonds with a marked reduction in costs

The stabilising liquidity situation and reduction of funding from the ECB enabled CGD to make an early repayment of € 2,100 million of state-backed issuances in the first half year, which had been retained in the portfolio.

The first months of this year saw a significant decrease of the balance of own debt issuances, particularly with the maturity of an issuance of € 1,250 million. CGD however, succeeded in reducing its liabilities to the ECB by € 1,050 million, in comparison to December 2013, reducing its borrowings to € 3,700 million. On a CGD Group level, total resources obtained from the ECB at the end of June were € 5,285 million against € 6,335 million at the end of 2013.

Borrowings from ECP tending to a continous reduction

Repayments of state-backed debt naturally entailed a reduction of around € 3,954 million in the amount of eligible assets allocated to the ECB pool with a total value of € 13,145 million at the end of the half year.

The value of available (i.e. unused) pool assets, at the end of June, remained highly comfortable at € 7,806 million.

5.1.4. SOLVENCY

The group's shareholders' equity of € 7,209 million at the end of 1st half 2014, benefiting from improved fair value reserves and net income, was up 3.9% by € 273 million over the end of June 2013.

TABLE 31 - SHAREHOLDERS' EQUITY

(million euros)

				Change Jun/14 - Jun/13		Change Jun/14 - Dec/13	
	Jun/13	Dec/13	Jun/14	Total	(%)	Total	(%)
Share capital	5,900	5,900	5,900	0	0.0%	0	0.0%
Fair value reserves	-169	64	374	542	-	310	-
Other reserv. and retained earnings	520	413	-97	-617	-	-510	-
Non-controlling interests	868	885	902	35	4.0%	17	1.9%
Net income for period	-183	-579	130	313	-	709	-
Total	**6,936**	**6,684**	**7,209**	**273**	**3.9%**	**525**	**7.9%**

Solid solvency situation assessed by Basel III criteria

June 2014 saw an improvement in capital ratios on a consolidated basis. The Common Equity Tier 1 (CET 1) ratio, calculated in accordance with CRD IV / CRR "fully implemented" rules, was 10.8%, against 7.6% at 1 January 2014 (minimum of 7%, comprising a CET 1 of 4.5% and buffer of 2.5%).

The Common Equity Tier 1 (CET 1) ratio, calculated in accordance with CRD IV / CRR "phasing-in" rules, was 11.7% against 10.7% at 1 January 2014. The reference value considered in the base scenario for the valuation of assets by the ECB was 8%.

TABLE 32 – SOLVENCY RATIOS (CRD IV/CRR) [(a)]

(million euros)

	Phased-in		
Own funds	01/Jan/14	Mar/14	Jun/14
Common Equity Tier I (CET 1)	6,930	7,003	7,363
Tier I	6,930	7,003	7,363
Tier II	970	940	1,155
Total	7,900	7,943	8,518
Risk weighted positions	**64,657**	**63,017**	**62,848**
Ratios			
Common Equity Tier I (CET 1)	10.7%	11.1%	11.7%
Tier I	10.7%	11.1%	11.7%
Total	12.2%	12.6%	13.6%

	Fully Implemented		
Own funds	01/Jan/14	Mar/14	Jun/14
Common Equity Tier I (CET 1)	4,838	5,384	6,790
Risk weighted positions	**63,824**	**62,296**	**62,754**
Ratio			
Common Equity Tier I (CET 1)	7.6%	8.6%	10.8%

(*a*) Including net income for period.

5.2. CGD'S SEPARATE ACTIVITY

5.2.1. RESULTS

Net operating income up 7% in a still weak domestic environment

Net operating income from CGD's separate banking operations in first half 2014 was up 7.0% by € 40.1 million over the same period 2013 to € 610.1 million.

Net interest income, including income from equity investments, was up 39.5% over 1st half 2013 to € 325.4 million, owing to the 73.1% increase of € 116.8 million in net interest income, essentially on account of CGD's endeavours to implement a repricing policy on both its lending and borrowing operations, enabling the bank to improve profitability levels.

Non-interest income, on the other hand, was down € 52.0 million over first half 2013. A contributory factor was the evolution of income from financial operations and other operating income.

Reduction of 7.4% in operating costs

Reference should be made to the 7.4% decline of € 35.7 million in operating costs over June 2013 to € 445.6 million, largely on account of the 10.3% reduction of € 28.5 million in employee costs. Depreciation and amortisation (down 14.8% by € 6.5 million) also contributed to the favourable evolution of operating costs.

Separate net income penalised by provisioning costs

Also translating € 758.4 million in provisions in the half year, net income from CGD's separate operations was € 445.8 million in the red in first half 2014 (losses of € 468.3 million in June 2013) as a reflection of the still weak environment affecting domestic banking activity.

5.2.2. BALANCE SHEET

Net assets of € 92,776 million from CGD's separate operations at the end of first half 2013, which also translated the balance sheet deleveraging effect, were down 1.1% by € 1,060 million over December 2013.

Reduction in the size of the separate balance sheet

On the assets side, an analysis of the changes in comparison to December 2013, particularly includes the 4.7% decline of € 2,817 million in loans and advances to customers and the 19.2% increase of € 734.9 million in investments in credit institutions.

On the liabilities side, central banks' and credit institutions' resources were down 17.5% by € 1,769 million over December 2013 and debt securities down 4.6% by € 399 million over the same half year under analysis. On the other hand and in the same period, customer resources and other loans were up 2.0% by € 1,163 million.

Shareholders' equity was 2.3% down by € 115.7 million over December 2013 to € 4,807 million at the end of 1st half 2014. Notwithstanding the € 339.5 million improvement in revaluation reserves during the half year, the evolution of shareholders' equity was unfavourable given the reduction of other reserves and retained earnings and net income for the period.

6. Ratings

April 2014 saw an improvement on the outlook of FitchRatings' long term rating on the Portuguese Republic from 'negative' to 'positive'.

In May 2014, Standard & Poor's (S&P) and DBRS took identical steps, changing their outlook on the long term rating of the Portuguese Republic from 'negative' to stable'. Following this action, S&P reaffirmed its ratings on CGD, in the same month, removing it from credit watch with negative implications.

Ratings – no significant changes in risk assessments

Moody's raised its long term rating on the Portuguese Republic's to Ba2 ("On Watch - Possible Upgrade"), in May and once again upgraded its rating on the Portuguese Republic to Ba1, with a stable outlook, in July.

TABLE 33 – RATINGS

	CGD			Portugal		
	Short term	Long term	Date	Short term	Long term	Date
Standard & Poor's	B	BB-	May/14	B	BB	May/14
FitchRatings	B	BB+	Jul/14	B	BB+	Apr/14
Moody's	N/P	Ba3	Jul/14	N/P	Ba1	Jul/14
DBRS	R-2 (mid)	BBB (low)	Jun/13	R-2 (mid)	BBB (low)	May/14

FitchRatings and Moody's reaffirmed their ratings on CGD in July.

7. Corporate Responsibility and Investment in the Future

CGD - policy of commitment to society and sustainable development

CGD Group is recognised by the community for its enhanced commitment to social responsibility and investment in the future, visible in its active intervention in various segments of life in society and the approach to its own business's development pillars.

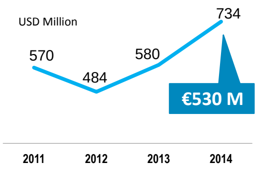
Basing its activity on strong corporate management, promoting high ethical standards and defending sustainable development, CGD is permanently committed to progress and innovation – economic, social and environmental – valuing dialogue with stakeholders and responding to emerging needs impelling it to the construction of a better future for all generations.

Caixa therefore pursues a comprehensive sustainability policy in the key areas shown in the following figure:

Endorsement of the UNO's ten Global Compact principles

Following its commitment to the UNO's "Global Compact" as the major worldwide corporate responsibility initiative, Caixa has endorsed the ten "Global Compact" principles in the human rights, labour, environmental and anti-corruption areas.

Most valuable Portuguese banking brand for the 6th consecutive year (Brand Finance)



BRAND

Caixa is the bank with the most valuable brand in Portugal and saw an improvement in its brand's recognition factor, as measured by the Brandscore brand barometer, in 1st quarter 2014.

In a demanding environment characterised by adverse indicators, the performance of the CGD brand goes against sector trends with an improvement in results – generation of confidence, reputational gains and attribution of financial value – consolidating Caixa's rational and emotional leadership in society in the eyes of citizens, organisations and economic agents.

- 13 consecutive years as Portugal's trusted brand and benchmark banking operator with a potential impact on 5.3 million individuals;
- Portuguese banking brand with the best reputation - Reputation Institute
- Portuguese banking brand with the highest financial value - € 446 million – for the 6th consecutive year (*Brand Finance* methodology);
- Excellence brand for the 4th consecutive time (*Superbrand*);
- "The Portuguese bank of (p)reference" (*Marketeer* prizes 2013).

RELATIONSHIPS AND INVOLVEMENT

- Brand with a very high level of involvement with its employees – 98%;
- Bank with high levels of customer loyalty and satisfaction: 85% of SMES and 60% of individual customers recommend CGD;
- Bank with the largest number of individual and "household" customers.

INVESTMENT IN THE FUTURE

First Portuguese bank to have an environmental management system

- 1st bank in Portugal to implement an Environmental Management System, based on energy efficiency, responsible resource management, mitigation of direct and indirect risks and internal culture;
- The only bank in Portugal to publish a Carbon Neutral Report (audited by an independent/external body) for a 4th consecutive year;
- The bank promoting the 1st "Young VolunTeam" educational programme for young volunteers in secondary schools in Portugal, accredited/certified by the Ministry of Education and Culture's Directorate General for the purpose of achieving credits for student CVs;
- The only Portuguese financial portal with full W3C accessibility;
- Bank geared to job creation and a pioneer in the promotion of entrepreneurship, support for domestic initiatives (competitions, conferences, etc.) and venture capital;
- "The Best Mobile Banking app" (EFMA). The Caixadirecta app is the current leading choice out of the free financial apps available in the various play stores. More than € 3,500,000 operations in May with around 80,000 downloads.

First hotline for deaf customers

As part of its social insertion policy, reference should be made to the video call hotline for deaf citizens available from Caixa's Contact Centre. Caixa was the 1st financial institution to provide this type of service to customers/non-customers with special needs for information on its products and services.

8. Prizes and Distinctions

Caixa Geral de Depósitos is the undisputed leader in terms of brand recognition in the banking sector.

The different distinctions awarded to Caixa demonstrate recognition of the merit of its sustainable performance and commitments to the future, on behalf of various generations, society, the domestic economy and environment.

Information on several prizes and distinctions awarded to CGD Group is given below:

- **Prime Company** – Oekom ranking
- **CGD - the Most Valuable Portuguese Banking Brand** - Brand Finance
- **Carbon Disclosure Project Leadership Index Disclosure** (CDLI) - CGD achieves the highest classification of all Portuguese companies (99 points)
- **Carbon Disclosure Project Performance** (CPLI) – Best Iberian Bank (level A)
- **CGD – Banking Brand with the Best Reputation** – Reputation Institute
- **Rock in Rio Sustainable Attitude** – award for a sustainable stand
- **Best Investment Bank in Portugal** - CaixaBI **-** (2014): Euromoney, Global Finance, Global Banking & Finance Review and IFM Awards; (2013): EMEA Finance
- **No. 1 IPO & Seasoned Equity Offer House** - CaixaBI - Euronext Lisbon Awards
- **Equities Winner Europe 2014: IPO CTT - CaixaBI** - The Banker, Deals of the Year
- **Winner in the Social Responsibility Category - CGD** - Best Ethical Practices Awards 2014

9. Main Risks and Uncertainties in 2nd half 2014

The indicators published over the half year are not conducive to an unequivocal interpretation of economic evolutionary trends on a global level. We have a strengthening US economy in parallel with a somewhat disappointing trajectory for the main euro area countries, with fewer signs of recovery than initially expected. This is compounded by the uncertainty associated with the potential negative effects deriving from the possibility of heightened tension between Ukraine and Russia and, more recently in the Middle East.

Continuing conflict in Gaza may also condition the short term economic outlook.

On a more positive note, the temporary factors conditioning 1st half year activity, related with bad weather in certain regions, with the negative contribution of inventory adjustments, notably in the US and adverse effect of the tax hikes in Japan are likely to vanish.

The recent measures announced by the ECB represent an important factor in backing and boosting the financing of economies, their effects should begin to have a favourable effect on the sentiment of economic agents and their respective investment decisions. The contractionary effect of fiscal policy is likely to continue to attenuate, particularly in Europe, following the highly stringent policies of the last few years.

With a certain adjustment already having been made to the level of implementation of monetary *stimuli* in the US, interest rates still remain, however, very low.

Such an environment brings a high level of uncertainty attached to a scenario of improved economic growth in the second half year.

Firstly, the fact that appetite for risk is extremely high could trigger situations of instability which must be reversed. Contributory events towards such a reversal may, *inter alia*, include a faster recovery of the labour market and/or US inflation which will, in principle lead the Fed to bring forward a hike in interest rates, leading to a change in market sentiment and a subsequent decline in the appeal of risk assets to the benefit of safe assets.

However, a faster than expected adjustment of monetary stimuli in the US may, on the other hand, fuel expectations of the appreciation of the dollar and more restrictive global liquidity, with the possibility of capital outflows and the depreciation of emerging countries' currencies. Simultaneously, an increase in yield on government bonds in such countries could lead several central banks to ramp up interest rates. The negative impact would particularly be felt in the developed economies owing to their adverse effects on household wealth.

Persistent low growth and high unemployment in the euro area, in addition to weakening support for the implementation of the necessary reforms in most countries, help to keep inflation at levels which are considered to be too low.

Pressure on the ECB to reinforce monetary stimuli may therefore remain high, notably another cut in reference interest rates, including the deposit rate.

In Portugal, recent, unexpected events associated with a major financial group may prejudice investors' and economic agents' positive perception on an international level which had particularly improved following the successful conclusion of the Economic and Financial Assistance Programme, agreed between the government and Troika. A rapid, transparent resolution of the referred to situation should mitigate the possible unfavourable effects on the credibility and strength of the Portuguese financial system. On a banking level, the need for clear, precise communication to reinforce the credibility and strength of most banking institutions operating in Portugal is a matter of pressing concern.

There is, notwithstanding a temporary risk of the Portuguese market's lack of appeal in terms of foreign investment which is crucial for its sustained growth.

Demand for credit, in Portugal, is still very low, in spite of a certain stabilisation of lending criteria. At the same time, on the supply side, credit recovery in Portugal and the euro area may be constrained by the results of the AQR (Asset Quality Review) and stress tests to be performed by the ECB over the next few months, as the starting point for common supervision.

In short, credit will continue to be constrained by the persistence of high levels of leverage and insufficient corporate capitalisation and, eventually, the fact that several banks may have a low risk exposure capacity, owing to greater regulatory demands over the last few years.

The ECB's management of monetary policy, notably as regards its endeavours to normalise the workings of the money market and the reduction of investors' risk aversion levels, continues to be a crucial factor in reducing the cost of financing and easing the pressure on net interest income being felt by Portuguese banks and the rest of Europe. A more significant strengthening of the ECB's monetary policy, involving the implementation of a direct debt securities purchasing programme, as in other developed countries, is not as yet, on the cards but merely an option, in the event of a marked deterioration of inflation and growth expectations.

10. Statement of Conformity of the Presentation of Financial Information

Under the terms of sub-paragraph c) of no. 1 of article 246 of the Securities Market Code, we declare that the condensed financial statements for 1st half 2014, have, to the best of our knowledge, been produced in conformity with the applicable accounting standards and provide a true and appropriate image of the assets and liabilities, financial situation and results of Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter and that the board of directors' interim report gives an accurate account of the important events occurring in the respective period and the impact of the respective financial statements and contains a description of the main risks and uncertainties for the next six months.

Lisbon, 27 August 2014

Board of directors

Chairman:	Álvaro José Barrigas do Nascimento
Vice-Chairman:	José Agostinho Martins de Matos
Members:	Nuno Maria Pinto de Magalhães Fernandes Thomaz
	João Nuno de Oliveira Jorge Palma
	José Pedro Cabral dos Santos
	Ana Cristina de Sousa Leal
	Maria João Borges Carioca Rodrigues
	Jorge Telmo Maria Freire Cardoso
	Pedro Miguel Valente Pires Bela Pimentel
	José Luís Mexia Fraústo Crespo de Carvalho
	José Ernst Henzler Vieira Branco
	Eduardo Manuel Hintze da Paz Ferreira
	Daniel Traça
	Pedro Fontes Falcão

11. Statement of the Auditing of the Accounts

Under no. 3 of article 8 of the Securities Code, we declare that the financial information for 1st half 2014 relating to Caixa Geral de Depósitos, SA and the companies included in its consolidation perimeter have not been audited.

Lisbon, 27 August 2014

Board of directors

Chairman:	Álvaro José Barrigas do Nascimento
Vice-Chairman:	José Agostinho Martins de Matos
Members:	Nuno Maria Pinto de Magalhães Fernandes Thomaz
	João Nuno de Oliveira Jorge Palma
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	Daniel Traça
	Pedro Fontes Falcão

12. Bonds Held by Members of the Board of Directors

(Article 447 of the Commercial Companies Code)

TABLE 34 – BONDS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

Bondholders	Bond	Number of bonds at 30/06/2014
Members of the board of directors:		
João Nuno de Oliveira Jorge Palma	Subordinated bonds – CGD 2009/19 Anniversary Bonds CGD 5.125% 2014	50 1
José Pedro Cabral dos Santos	Cash bonds July 2015	15,000

13. Information on CGD's Shareholders

(Article 448 of the Commercial Companies Code)

TABLE 35 – CGD SHAREHOLDERS

Shareholders	Share capital at 30/06/2014	% equity stake at 30/06/2014
Portuguese state	€ 5,900,000,000	100%

Lisbon, 27 August 2014

Board of directors

Chairman: Álvaro José Barrigas do Nascimento

Vice-Chairman: José Agostinho Martins de Matos

Members: Nuno Maria Pinto de Magalhães Fernandes Thomaz
João Nuno de Oliveira Jorge Palma
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14. Separate and Consolidated Financial Statements

BALANCE SHEET (SEPARATE)

(EUR)

ASSETS	30-06-2014 Amounts before impairment, amortisation and depreciation	30-06-2014 Provisions, impairment and amortisation and depreciation	30-06-2014 Net assets	31-12-2013 Net assets	LIABILITIES AND EQUITY	30-06-2014	31-12-2013
Cash and cash equivalents at central banks	545.975.023	-	545.975.023	758.127.349	Resources of central banks	3.839.918.274	4.893.185.593
Cash balances at other credit institutions	436.158.260	-	436.158.260	465.338.021	Financial liabilities held for trading	1.826.437.420	1.701.221.406
Financial assets held for trading	2.004.066.465	-	2.004.066.465	1.887.436.570	Resources of other credit institutions	4.478.584.999	5.194.605.213
Other financial assets at fair value through profit or loss	629.000.453	-	629.000.453	630.677.816	Customer resources	59.295.716.818	58.132.642.947
Available-for-sale financial assets	18.219.623.697	(321.963.297)	17.897.660.400	17.696.749.328	Debt securities	8.226.695.274	8.625.578.949
Financial assets with repurchase agreement	1.365.863.620	-	1.365.863.620	705.635.975	Financial liabilities associated with transferred assets	4.668.598.329	4.752.967.546
Loans and advances to credit institutions	4.568.662.373	(15.420.641)	4.553.241.732	3.818.365.125	Hedging derivatives	26.705.542	64.900.299
Loans and advances to customers	61.937.303.880	(5.196.487.472)	56.740.816.408	59.557.428.434	Provisions	991.320.223	985.799.604
Hedging derivatives	70.466.856	-	70.466.856	43.399.039	Current tax liabilities	6.352.997	2.585.669
Non-current assets held for sale	437.395.804	(108.225.643)	329.170.161	296.318.048	Deferred tax liabilities	147.466.049	57.164.712
Investment property	3.060.757	-	3.060.757	3.500.156	Other subordinated liabilities	2.599.713.219	2.596.350.307
Other tangible assets	1.230.938.215	(837.570.235)	393.367.980	412.742.478	Other liabilities	1.861.705.006	1.906.756.880
Intangible assets	649.870.289	(560.591.139)	89.279.150	96.116.314	Total Liabilities	87.969.214.150	88.913.759.125
Investments in associates, subsidiaries and joint ventures	3.759.765.241	(407.102.278)	3.352.662.963	3.352.133.949		-	-
Current tax assets	90.300.516	-	90.300.516	97.923.129	Share capital	5.900.000.000	5.900.000.000
Deferred tax assets	1.510.464.755	-	1.510.464.755	1.394.227.963	Revaluation reserves	414.489.961	75.018.024
Other assets	3.075.903.055	(311.681.245)	2.764.221.810	2.619.873.625	Other reserves and retained earnings	(1.062.093.633)	37.731.160
	-	-	-	-	Net income for the period	(445.833.169)	(1.090.514.990)
	-	-	-	-	Total Equity	4.806.563.159	4.922.234.194
Total Assets	100.534.819.259	(7.759.041.950)	92.775.777.309	93.835.993.319	**Total Liabilities and Equity**	92.775.777.309	93.835.993.319

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chaiman Álvaro José Barrigas do Nascimento

Deputy Chaiman José Agostinho Martins de Matos

Members Nuno Maria Pinto de Magalhães Fernandes Thomaz

João Nuno de Oliveira Jorge Palma

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Daniel Traça

Pedro Fontes Falcão

INCOME STATEMENT (SEPARATE)

(EUR)

	30-06-2014	30-06-2013
Interest and similar income	1.419.995.327	1.488.231.518
Interest and similar costs	(1.143.525.961)	(1.328.529.475)
NET INTEREST INCOME	276.469.366	159.702.043
Income from equity instruments	48.928.239	73.607.102
Income from services and commissions	224.256.773	240.411.084
Costs of services and commissions	(47.698.116)	(53.236.327)
Net results of assets and liabilities measured at fair value through profit or loss	(98.992.396)	44.996.740
Net gain on available-for-sale financial assets	206.667.863	80.320.906
Net foreign exchange revaluation gain	(2.996.944)	6.415.610
Net gain on the sale of other assets	(13.633.068)	(3.617.817)
Other operating income	17.099.860	21.413.740
NET OPERATING INCOME	610.101.577	570.013.081
Staff costs	(248.410.734)	(276.897.807)
Other administrative costs	(159.904.186)	(160.612.723)
Depreciation and amortisation	(37.322.047)	(43.780.031)
Provisions net of reversals	(5.428.396)	8.911.866
Correction of the amount of loans and advances to customers and receivables from other debtors, net of reversals	(730.465.468)	(690.308.203)
Impairment of other financial assets net of reversals	(13.531.978)	(37.321.626)
Impairment of other assets net of reversals	(8.942.980)	(17.741.318)
INCOME BEFORE TAX	(593.904.212)	(647.736.761)
Income tax		
Current	(16.694.388)	32.603.281
Deferred	164.765.431	146.843.808
	148.071.043	179.447.089
Net income for the period	(445.833.169)	(468.289.672)
Average number of ordinary shares outstanding	1.180.000.000	1.180.000.000
Earnings per share (in Euros)	(0.38)	(0.40)

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

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Deputy Chairman José Agostinho Martins de Matos

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STATEMENT OF COMPREHENSIVE INCOME (SEPARATE)

(EUR thousand)

Balances subject to reclassification to profit or loss	30-06-2014	30-06-2013
Adjustments to fair value of available-for-sale financial assets		
Gains / (losses) arising during the period	673.263	106.931
Adjustments of fair value reserves reclassification to results		
Recognition of impairment for the period	13.671	36.327
Disposal of available-for-sale financial assets	(206.668)	(80.321)
Tax effect	(140.795)	(20.377)
Currency changes in Branches	(874)	35
Other	(49)	(82)
Subtotal	*338.549*	*42.514*
Balances not subject to reclassification to profit or loss		
Benefits to employees - amortisation of transition impact		
Change in period	(11.246)	(11.246)
Tax effect	2.859	3.284
Subtotal	*(8.387)*	*(7.962)*
Total comprehensive net income for the period recognised in reserves	330.162	34.552
Net income for the period	(445.833)	(468.290)
Total comprehensive net income for the period recognised in reserves	(115.671)	(433.738)

CASH FLOW STATEMENTS (SEPARATE)

(EUR thousand)

	30-06-2014	30-06-2013
OPERATING ACTIVITIES		
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	1.668.138	1.764.126
Interest, commissions and similar costs paid	(1.050.430)	(1.109.820)
Recovery of principal and interest	9.876	11.231
Payments to employees and suppliers	(415.578)	(385.521)
Payments and contributions to pensions funds and other benefits	(12.275)	(10.920)
Other results	1.812	21.217
	201.543	290.312
(Increases) decreases in operating assets:		
Loans and advances to credit institutions and customers	634.193	3.465.087
Assets held for trade and other assets at fair value through profit or loss	(85.744)	(68.720)
Other assets	(178.173)	95.946
	370.276	3.492.313
Increases (decreases) in operating liabilities:		
Resources of central banks and other credit institutions	(1.755.223)	(2.920.210)
Customer resources	1.232.567	(294.747)
Other liabilities	(20.103)	393.760
	(542.760)	(2.821.198)
Net cash from operating activities before taxation	29.059	961.427
Income tax	(18.241)	(104.548)
Net cash from operating activities	10.819	856.879
INVESTING ACTIVITIES		
Capital gains from subsidiary and associated companies	25.603	35.151
Capital gains from available-for-sale financial assets	19.069	41.997
Acquisition of investments in subsidiary and associated companies, net of disposals	(3.236)	7.068
Acquisition of available-for-sale financial assets, net of disposals	394.791	877.934
Acquisition of tangible and intangible assets, net of disposals	(14.514)	(23.498)
Net cash from investing activities	421.712	938.653
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(61.208)	(26.803)
Interest on debt securities	(166.821)	(274.039)
Issue of debt securities, net of repayments	(445.834)	(1.630.536)
Net cash from financing activities	(673.863)	(1.931.378)
Increase (decrease) in cash and cash equivalents	(241.332)	(135.847)
Cash and cash equivalents at beginning of year	1.223.465	1.348.605
Net change of cash and cash equivalents	(241.332)	(135.847)
Cash and cash equivalents at end of period	**982.133**	**1.212.759**

STATEMENT OF CHANGES IN EQUITY (SEPARATE)

(EUR thousand)

	Share capital	Revaluation reserves				Other reserves and retained earnings				Net income for the year/period	Total
		Fair value reserves	Reserves for deferred tax	Fixed assets	Total	Legal reserve	Other reserves	Retained earnings	Total		
Balances at 31 December 2012	5.900.000	(254.742)	76.586	110.425	(67.731)	862.906	279.038	(365.886)	776.058	(679.067)	5.929.260
Appropriation of net income for 2012:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	-	(679.067)	(679.067)	679.067	-
Other entries directly recorded in equity:											
Measurement gain/(losses) on available-for-sale financial assets	-	62.937	(20.377)	-	42.560	-	-	-	-	-	42.560
Amortisation of the impact of the transition to the NCA relative to post-employment benefits	-	-	-	-	-	-	-	(7.962)	(7.962)	-	(7.962)
Currency changes in Branches	-	-	-	-	-	-	35	-	35	-	35
Other	-	-	-	-	-	-	(82)	-	(82)	-	(82)
Total gains and losses for the year recognised in equity	-	62.937	(20.377)	-	42.560	-	(46)	(7.962)	(8.008)	-	34.552
Net income for the period	-	-	-	-	-	-	-	-	-	(468.290)	(468.290)
Balances at 30 June 2013	5.900.000	(191.805)	56.209	110.425	(25.171)	862.906	278.992	(1.052.915)	88.983	(468.290)	5.495.523
Balances at 31 December 2013	5.900.000	(49.893)	14.486	110.425	75.018	862.906	230.926	(1.056.101)	37.731	(1.090.515)	4.922.234
Appropriation of net income for 2013:											
Transfer to reserves and retained earnings	-	-	-	-	-	-	-	(1.090.515)	(1.090.515)	1.090.515	-
Other entries directly recorded in equity:											
Measurement gain/(losses) on available-for-sale financial assets	-	480.267	(140.795)	-	339.472	-	-	-	-	-	339.472
Amortisation of the impact of the transition to the NCA relative to post-employment benefits	-	-	-	-	-	-	-	(8.387)	(8.387)	-	(8.387)
Currency changes in Branches	-	-	-	-	-	-	(874)	-	(874)	-	(874)
Other	-	-	-	-	-	-	(49)	-	(49)	-	(49)
Total gains and losses for the year recognised in equity	-	480.267	(140.795)	-	339.472	-	(923)	(8.387)	(9.310)	-	330.162
Reclassification between reserves and retained earnings	-	-	-	-	-	-	28.435	(28.435)	-		
Net income for the period	-	-	-	-	-	-	-	-	-	(445.833)	(445.833)
Balances at 30 June 2014	5.900.000	430.374	(126.309)	110.425	414.490	862.906	258.438	(2.183.438)	(1.062.094)	(445.833)	4.806.563

CONSOLIDATED BALANCE SHEET

(EUR)

ASSETS	Notes	30-06-2014 Amounts before impairment, amortisation and depreciation	30-06-2014 Impairment and amortisation and depreciation	30-06-2014 Net assets	Pro-forma 31-12-2013 Net assets	Pro-forma 01-01-2013 Net assets
Cash and cash equivalents at central banks	4	1.166.491.409	-	1.166.491.409	1.545.339.400	1.603.281.326
Cash balances at other credit institutions	5	896.689.950	-	896.689.950	1.036.503.870	1.302.011.713
Loans and advances to credit institutions	6	2.867.035.226	(13.477.001)	2.853.558.225	1.774.802.263	2.517.399.809
		4.930.216.585	(13.477.001)	4.916.739.584	4.356.645.533	5.422.692.848
Financial assets at fair value through profit or loss	7	2.936.151.189	-	2.936.151.189	2.785.864.397	3.588.001.840
Available-for-sale financial assets	8	16.108.714.432	(260.989.305)	15.847.725.127	15.543.446.219	20.531.503.531
Financial assets with repurchase agreement	9	1.366.212.451	-	1.366.212.451	705.635.975	504.159.727
Unit-linked investments		-	-	-	-	1.148.224.882
Hedging derivatives	10	70.306.656	-	70.306.656	45.458.045	98.725.204
Held-to-maturity investments		-	-	-	-	2.469.277.441
		20.481.384.728	(260.989.305)	20.220.395.423	19.080.404.636	28.339.892.625
Loans and advances to customers	11	72.366.307.841	(4.888.962.277)	67.477.345.564	70.017.510.890	74.641.533.297
Non-current assets held for sale	12	1.079.325.255	(342.749.511)	736.575.744	13.444.494.211	677.623.425
Investment property	13	1.243.574.003	-	1.243.574.003	1.308.186.910	1.562.534.198
Other Tangible assets		1.637.949.988	(986.210.364)	651.739.624	659.486.182	941.155.879
Intangible assets		812.154.726	(625.914.064)	186.240.662	193.682.600	412.882.775
Investments in associates and jointly controlled entities	14	307.212.652	-	307.212.652	42.311.197	217.603.386
Current tax assets	15	113.668.323	-	113.668.323	128.704.934	61.157.690
Deferred tax assets	15	1.361.209.700	-	1.361.209.700	1.375.247.768	1.465.566.666
Technical provisions for outwards reinsurance	16	-	-	-	5.547.290	197.427.457
Other assets	17	3.220.605.357	(210.098.219)	3.010.507.138	2.865.143.814	3.534.598.574
Total Assets		107.553.609.158	(7.328.400.741)	100.225.208.417	113.477.365.965	117.474.668.820

LIABILITIES AND EQUITY	Notes	30-06-2014	Pro-forma 31-12-2013	Pro-forma 01-01-2013
Resources of central banks and other credit institutions	18	8.435.388.610	9.734.649.064	12.226.705.289
Customer resources	19	67.126.425.598	67.824.469.433	71.355.037.433
Liability of unit-linked products		-	-	1.148.224.882
Debt securities	20	8.368.799.817	8.791.386.907	10.590.627.336
		75.495.225.415	76.615.856.340	83.093.889.651
Financial liabilities at fair value through profit or loss	10	1.778.644.294	1.644.831.602	2.217.043.052
Hedging derivatives	10	26.705.542	65.109.513	84.478.780
Non-current liabilities held for sale	12	-	11.590.700.040	100.745.748
Provisions for employee benefits	21	534.062.327	539.437.537	549.949.797
Provisions for other risks	21	373.200.582	341.807.018	422.853.716
Technical provisions for insurance contracts	22	-	10.108.361	4.224.143.023
Current tax liabilities	15	60.905.421	70.123.050	190.247.382
Deferred tax liabilities	15	288.702.275	180.574.120	194.020.677
Other subordinated liabilities	23	2.525.433.779	2.523.699.879	2.889.067.239
Other liabilities	24	3.498.045.432	3.476.805.692	4.129.990.999
Total liabilities		93.016.313.677	106.793.702.216	110.323.135.353
Share capital	25	5.900.000.000	5.900.000.000	5.900.000.000
Fair value reserves	26	373.531.950	63.946.565	(189.399.505)
Other reserves and retained earnings	26	(97.052.889)	413.240.310	587.837.068
Net income attributable to the shareholder of CGD	26	129.915.930	(578.890.188)	-
Equity attributable to the shareholder of CGD		6.306.394.991	5.798.296.687	6.298.437.563
Non controlling interest	27	902.499.749	885.367.062	853.095.904
Total equity		7.208.894.740	6.683.663.749	7.151.533.467
Total liabilities and equity		100.225.208.417	113.477.365.965	117.474.668.820

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

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Deputy Chairman José Agostinho Martins de Matos

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José Luís Mexia Fraústo Crespo de Carvalho

José Ernst Henzler Vieira Branco

Eduardo Manuel Hintze da Paz Ferreira

Daniel Traça

Pedro Fontes Falcão

CONSOLIDATED INCOME STATEMENTS

(EUR)

	Notes	30-06-2014	*Pro-forma* 30-06-2013
Interest and similar income	28	1.721.787.691	1.791.616.334
Interest and similar costs	28	(1.240.560.212)	(1.427.171.865)
Income from equity instruments	29	27.986.665	52.941.677
NET INTEREST INCOME		509.214.144	417.386.146
Income from services rendered and commissions	30	323.409.984	344.833.451
Cost of services and commissions	30	(72.030.132)	(74.634.593)
Results from financial operations	31	166.203.270	183.718.486
Other net operating income	32	(1.525.692)	12.881.706
NET OPERATING INCOME FROM BANKING		925.271.574	884.185.196
Staff costs	33	(352.541.569)	(388.368.944)
Other administrative costs	34	(219.035.500)	(216.608.895)
Depreciation and amortisation		(54.120.900)	(61.489.987)
Provisions net of reversals	21	(24.098.073)	(37.023.097)
Loan impairment net of reversals and recovery	35	(375.138.428)	(371.939.751)
Other assets impairment net of reversals and recovery	35	(21.620.570)	(104.406.731)
Result of held for sale companies	12	287.253.516	76.519.343
Result of associated companies		10.770.007	1.874.442
INCOME BEFORE TAX AND NON-CONTROLLING INTEREST		176.740.057	(217.258.424)
Income tax			
Current	15	(37.141.430)	17.249.635
Deferred	15	21.271.995	37.273.369
		(15.869.435)	54.523.004
CONSOLIDATED NET INCOME FOR THE PERIOD, of which:		160.870.622	(162.735.420)
Non controlling interest	27	(30.954.692)	(19.982.474)
NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD		129.915.930	(182.717.894)
Average number of ordinary shares outstanding	25	1.180.000.000	1.180.000.000
Earnings per share (in Euros)		0.11	(0.15)

Certified Public Accountant

Andreia Júlia Meneses Alves

Board of Directors

Chaiman	Álvaro José Barrigas do Nascimento
Deputy Chairman	José Agostinho Martins de Matos
Members	Nuno Maria Pinto de Magalhães Fernandes Thomaz
	João Nuno de Oliveira Jorge Palma
	José Pedro Cabral dos Santos
	Ana Cristina de Sousa Leal
	Maria João Borges Carioca Rodrigues
	Jorge Telmo Maria Freire Cardoso
	Pedro Miguel Valente Pires Bela Pimentel
	José Luís Mexia Fraústo Crespo de Carvalho
	José Ernst Henzler Vieira Branco
	Eduardo Manuel Hintze da Paz Ferreira
	Daniel Traça
	Pedro Fontes Falcão

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)

	30-06-2014			30-06-2013 *Pro-forma*		
	Current activities	Non-current activities	Total	Current activities	Non-current activities	Total
Balances subject to reclassification to profit or loss						
Adjustments to fair value of available-for-sale financial assets						
Gains / (losses) arising during the period	623.575	130.587	754.163	90.150	(1.637)	88.513
Adjustments of fair value reserves reclassification to results						
Recognition of impairment for the period	5.537	-	5.537	45.002	-	45.002
Disposal of available-for-sale financial assets (*)	(119.855)	(112.516)	(232.371)	(87.509)	588	(86.921)
Tax effect	(153.988)	839	(153.148)	(33.247)	2.700	(30.546)
Currency changes						
Change in period	14.595	-	14.595	(28.032)	-	(28.032)
Adjustments of exchange reserves reclassification to results						
Recognition of impairment for the period of available-for-sale financial assets						
- Investment units in foreign currency	20	-	20	(1.031)	-	(1.031)
Recognition of foreign exchange gains and losses in connection with the disposal of subsidiaries	-	-	-	2.695	-	2.695
Tax effect	(278)	-	(278)	(7)	-	(7)
Other	(17.935)	-	(17.935)	12.554	-	12.554
Total comprehensive net income for the year recognised in reserves	351.671	18.911	370.582	575	1.651	2.226
Net income for the period	(126.383)	287.254	160.871	(239.255)	76.519	(162.735)
TOTAL COMPREHENSIVE NET INCOME FOR PERIOD, of which:	225.288	306.164	531.452	(238.680)	78.171	(160.509)
Non controlling interest	(23.354)	-	(23.354)	(30.044)	-	(30.044)
TOTAL COMPREHENSIVE NET INCOME ATTRIBUTABLE TO THE SHAREHOLDER OF CGD	201.934	306.164	508.098	(268.724)	78.171	(190.553)

(*) "Non-current activities" column for the 1st half 2014 include outstanding reclassification of fair value reserves to results, related to the available for sale financial assets portfolio of the insurance companies disposed by CGD Group in the period, reflecting the control loss over these equity participations.

CONSOLIDATED CASH FLOW STATEMENTS

(EUR thousand)

		Pro-forma
OPERATING ACTIVITIES	30-06-2014	30-06-2013
Cash flows from operating activities before changes in assets and liabilities		
Interest, commissions and similar income received	2.064.438	2.279.813
Interest, commissions and similar costs paid	(1.178.571)	(1.321.572)
Premiums received (insurance)	-	542.789
Cost and claims paid (insurance)	-	(475.474)
Recovery of principal and interest	12.277	13.466
Payments to employees and suppliers	(601.617)	(692.285)
Payments and contributions to pension funds and other benefits	(12.275)	(13.506)
Other results	61.522	113.704
	345.773	446.935
(Increases) decreases in operating assets		
Loans and advances to credit institutions and customers	357.147	1.835.982
Assets held for trade and other assets at fair value through profit or loss	(105.970)	125.914
Other assets	3.607	336.795
	254.784	2.298.691
Increases (decreases) in operating liabilities		
Resources of central banks and other credit institutions	(1.287.737)	(2.402.296)
Customer resources	(621.014)	349.785
Other liabilities	57.052	(75.946)
	(1.851.699)	(2.128.458)
Net cash from operating activities before taxation	(1.251.142)	617.169
Income tax	(46.106)	(149.324)
Net cash from operating activities	(1.297.248)	467.845
INVESTING ACTIVITIES		
Dividends received from equity instruments	28.001	54.223
Acquisition of investments in subsidiary and associated companies, net of disposals	1.035.699	7.143
Acquisition of available-for-sale financial assets, net of disposals	445.225	670.959
Acquisition of tangible and intangible assets and investment property, net of disposals	(29.761)	62.737
Net cash from investing activities	1.479.163	795.061
FINANCING ACTIVITIES		
Interest on subordinated liabilities	(61.748)	(27.765)
Interest on debt securities	(166.399)	(219.337)
Issue of subordinated liabilities, net of repayments	(452)	-
Issue of debt securities, net of repayments	(471.978)	(1.489.222)
Net cash from financing activities	(700.577)	(1.736.324)
Increase (decrease) in cash and cash equivalents	(518.662)	(473.418)
Cash and cash equivalents at the beginning of the period	2.581.843	2.905.293
Net change of cash and cash equivalents	(518.662)	(473.418)
Cash and cash equivalents at the end of the period	2.063.181	2.431.875

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousand)

			Other reserves and retained earnings						
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Net income for the period	Subtotal	Non controlling interests	Total
Balances at 31 December 2012	5.900.000	(189.664)	1.423.524	(444.414)	979.109	(394.715)	6.294.730	985.316	7.280.046
Impact resulting from the adoption of accounting normative for the preparation									
of consolidated financial statements (Note 2.2.)	-	264	1.411	-	1.411	2.033	3.707	(132.220)	(128.513)
	5.900.000	(189.400)	1.424.934	(444.414)	980.520	(392.683)	6.298.438	853.096	7.151.533
Appropriation of net income for 2012:									
Transfer to reserves and retained earnings	-	-	286.384	(679.067)	(392.683)	392.683	-	-	-
Other entries directly recorded in equity:				-					-
Measurement gain/(losses) on available-for-sale financial assets	-	20.476	(2.556)	-	(2.556)	-	17.920	(1.872)	16.048
Currency changes in subsidiaries and branches	-	-	(28.678)	-	(28.678)	-	(28.678)	2.302	(26.376)
Other	-	-	2.923	-	2.923	-	2.923	9.631	12.554
Total gains and losses for the period recognised in equity	-	20.476	(28.312)	-	(28.312)	-	(7.835)	10.062	2.226
Share capital increase	-	-	-	-	-	-	-	-	-
Changes in Group perimeter	-	-	-	-	-	-	-	(1.713)	(1.713)
Dividends paid on preference shares and other dividends paid to non controlling interest	-	-	-	-	-	-	-	(13.605)	(13.605)
Reclassification between reserves and retained earnings	-	-	(36.587)	36.587	-	-	-	-	-
Net income for the period	-	-	-	-	-	(182.718)	(182.718)	19.982	(162.735)
Balances at 30 June 2013	5.900.000	(168.923)	1.646.419	(1.086.894)	559.525	(182.718)	6.107.884	867.822	6.975.707
Balances at 31 December 2013	5.900.000	63.947	1.495.320	(1.082.079)	413.240	(578.890)	5.798.297	885.367	6.683.664
Appropriation of net income for 2013:									
Transfer to reserves and retained earnings	-	-	511.625	(1.090.515)	(578.890)	578.890	-	-	-
Other entries directly recorded in equity:									
Measurement gain/(losses) on available-for-sale financial assets	-	309.585	68.875	-	68.875	-	378.460	(4.281)	374.180
Currency changes in subsidiaries and branches	-	-	16.859	-	16.859	-	16.859	(2.521)	14.337
Other	-	-	(17.137)	-	(17.137)	-	(17.137)	(799)	(17.935)
Total gains and losses for the period recognised in equity	-	309.585	68.597	-	68.597	-	378.182	(7.601)	370.582
Changes in Group perimeter	-	-	-	-	-	-	-	5.649	5.649
Dividends paid to non controlling interest	-	-	-	-	-	-	-	(11.870)	(11.870)
Reclassification between reserves and retained earnings	-	-	79.920	(79.920)	-	-	-	-	-
Net income for the period	-	-	-	-	-	129.916	129.916	30.955	160.871
Balances at 30 June 2014	5.900.000	373.532	2.155.461	(2.252.514)	(97.053)	129.916	6.306.395	902.500	7.208.895

15. Notes to the Consolidated Financial Statements

(Amounts expressed in thousand euros – unless otherwise indicated)

1. INTRODUCTORY NOTE

Caixa Geral de Depósitos, S.A. (Caixa or CGD), formed in 1876, is an exclusively state-owned public liability limited company. Caixa became a state-owned company on 1 September 1993 under Decree Law no. 287/93 of 20 August, which also approved its respective articles of association. Banco Nacional Ultramarino, S.A. (BNU) was merged with Caixa on 23 July 2001.

At 30 June 2014, CGD operated a nationwide network of 802 branch offices, with a branch in France having 48 offices, a branch in Timor with 12 offices, a branch in Luxembourg with 2 offices and branches in Spain, London, New York, Cayman Islands, Zhuhai and Macau.

Caixa also has direct and indirect equity stakes in a significant number of domestic and foreign companies, in Spain, Cape Verde, Angola, Mozambique, South Africa, Brazil and Macau, in which it has controlling interests. These companies comprise Caixa Geral de Depósitos Group (Group) and operate in various sectors such as banking, investment banking, brokerage, venture capital, property, asset management, specialised credit, e-commerce and cultural activities. Caixa also has equity stakes in companies operating in non-financial sectors of the Portuguese economy.

The European Commission approved CGD's Restructuring Plan as submitted by the Portuguese state in July 2013 in the sphere of its respective recapitalisation process.

The recapitalisation was required in the context of the new regulatory requirements imposed by the European Banking Authority (EBA) which resulted in the need for additional capital of €1,650 million (€750 million in the form of a capital increase and €900 million in Core Tier 1 equity instruments (note 23)), subscribed for in June 2012 by its state shareholder but considered by the European Commission to be state aid.

CGD's approved Restructuring Plan focused on its backing for companies and individual customers in Portugal and was based on three main operating thrusts which reinforce its already implemented strategy:

- Deleveraging of CGD Group's balance sheet with the disposal of its insurance arm and other non-strategic investments, in addition to the run-down of non-core assets;
- Improved operational efficiency, continuing to endeavour to cut operating costs;
- Restructuring of activity and streamlining CGD's branch office in Spain with the objective of ensuring its long term feasibility and autonomy from CGD in funding terms, in addition to making a positive contribution to the Group's results.

CGD and CGD Group undertook:

a) Not to make any equity investments or acquire any collection of assets comprising the performance of an activity, in excess of certain limits. This commitment, however, does not apply in certain situations such as acquisitions related with the management of loans and advances to customers in difficulty, within the scope of CGD's current activities;

b) Not to pursue aggressive commercial strategies;

c) To reduce proprietary trading activities to the minimum required by the Treasury function;

d) Not to apply for state aid or any advantages therefrom deriving for advertising purposes;

e) Not to pay any dividends, coupons or interest to holders of preference shares or subordinated debt, when such payments do not derive from a contractual or legal obligation. Such payments are, however, permitted if it can be shown that any failure to make such payments may prejudice the redemption of Core Tier 1 Capital Instruments issued by CGD and subscribed for by the state in June 2012;

f) To invest €30 million *per annum* in a fund to invest in the equity of Portuguese SMEs and mid-caps, under the recapitalisation plan agreed with the Portuguese state. The above referred to investment must be approved in advance by the European Commission;

g) To continue to expand its operational risk monitoring policy and prudent, safe commercial policies geared to sustainability;

h) To appoint a Monitoring Trustee, to oversee the implementation and execution of the measures contained in the Restructuring Plan;

i) Not to set up new businesses outside the geographies in which CGD Group was not previously present;

j) To comply with all regulations and legal requirements on remunerations policy.

2. ACCOUNTING POLICIES

2.1. Presentation bases

The consolidated financial statements, at 30 June 2014, were prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union, following European Council and Parliament Regulation (EC) 1606/2002 of 19 July and Decree Law 35/2005 of 17 February.

These financial statements, which are set out in conformity with the requirements of IAS 34 – "Interim Financial Reporting" are not fully comprehensive in terms of all of the information required for the preparation of the annual financial statements.

In 2013, as a result of the disposal process on the equity participations in Fidelidade - Companhia de Seguros, S.A., Multicare - Seguros de Saúde, S.A. and Cares - Companhia de Seguros, S.A, held by the Group through Caixa Seguros e Saúde, SGPS, S.A., the assets and liabilities of the referred to companies were reclassified to "Non-current assets and liabilities held for sale". The referred to operation was performed on the basis of the shareholder's strategic guidelines with the aim of rationalising the Group's structure and concentrating on its activities in the banking sector.

Also in accordance with the requirements of IFRS 5 – "Non-current assets held for sale and discontinued operations", such businesses' earnings are set out as a single entry in the financial statements ("Results from subsidiaries held for sale"), with the periods presented for comparison purposes having been accordingly re-expressed.

The accounting policies described in this note have been consistently applied across all of the periods set out in the financial statements, except for aspects deriving from the adoption of the regulatory package on the preparation of consolidated financial statements ("package of five") which is mandatory in the European space for fiscal years starting on or after 1 January 2014, as described in greater detail in Note 2.2..

2.2. Changes to accounting policy - preparation of consolidated financial statements

In 2014, the Group adopted the new rules on the scope, criteria and application principles governing the process for the preparation of consolidated financial statements, in addition to their respective disclosure requirements, comprising the amendments to IAS 27 - "Separate financial statements" and IAS 28 - "Investments in associates and joint ventures", as well as the following new standards:

- IFRS 10 - "Consolidated financial statements";
- IFRS 11 - "Joint arrangements"; and
- IFRS 12 - "Disclosures of interests in other entities".

This new regulatory package revoked part of the wording of IAS 27, in addition to IAS 31 and SIC 12 and 13.

Under the application of IFRS 10, the Group revalued the composition of the perimeter of the entities included in the consolidation process, in light of the new concept of control, which defines the cumulative presence of the following elements as critical factors in the analysis: (i) the capacity to superintend the activities of the entity identified as being relevant; (ii) exposure or rights to the variable results generated in the sphere of the relationship with the referred to entity; and (iii) the capacity to wield its power to influence the said results and their appropriation.

In line with the transition requirements defined in IFRS 10, the Group applied the standard retrospectively, having re-expressed its consolidated financial statements for the comparison periods presented in accordance with the provisions of IAS 8. Information on the main impacts on the Group's equity and income are referred to in the following table:

	01-01-2013			31-12-2013		
	Equity attributable to the shareholder of CGD	Non-controlling interests	Total	Equity attributable to the shareholder of CGD	Non-controlling interests	Total
Statutory capital before change in accounting policy	6,294,730	985,316	7,280,046	5,797,028	1,024,139	6,821,167
. Changes in the consolidation perimeter for the inclusion of new entities not previously considered	3,707	32,044	35,751	1,269	32,349	33,618
. Recognition as a liability of the responsibilities assigned to the equity component held by non-controlling interests when they hold an option to redeem the investment by the respective NAV (Net Asset Vaue) interests	-	(164,264)	(164,264)	-	(171,121)	(171,121)
Restated equity	6,298,438	853,096	7,151,533	5,798,297	885,367	6,683,664

	30-06-2013	31-12-2013
Consolidated net income attributable to the shareholder of CGD (before change in accounting policy)	(181,595)	(575,785)
. Appropriation of the results of new integrated entities in consolidation perimeter	(1,123)	(3,105)
Consolidated net income attributable to the shareholder of CGD (after change in accounting policy)	(182,718)	(578,890)
Earnings per share before change in accounting policy	(0.15)	(0.49)
Earnings per share after change in accounting policy	(0.15)	(0.49)

The adoption of IFRS 11 did not have any impact on the re-measurement of the Group's assets and liabilities, as the change in the manner of recognising interests in jointly controlled entities in 2013 (henceforth recognised in accordance with the equity accounting method), enabled its main effects to be anticipated.

2.3. Consolidation principles

The consolidated financial statements include the accounts of CGD and entities directly and indirectly controlled by the Group (Note 3), including special purpose entities.

Under IFRS 10 requirements, the Group considers that it wields control when it is exposed or has rights to the variable returns generated by a specific entity (referred to as a "subsidiary") and may, based on the application of the power retained by it and its relevant capacity to superintend their activities, take control of them (*de facto* power).

CGD Group subsidiaries were consolidated by the global integration method in which transactions and significant balances between the consolidated companies have been eliminated. Consolidation adjustments are also made, when applicable, to ensure consistency in the application of the Group's accounting principles.

The amount of third party investment in subsidiaries is recognised in "non-controlling interests" in equity.

Consolidated profit comprises the aggregation of CGD's and its subsidiary entities' net results, in proportion to the effective percentage holding, following consolidation adjustments, i.e. the elimination of dividends received and capital gains and losses on transactions between companies included in the consolidation perimeter.

2.4. Concentrations of business activities and goodwill

Acquisitions of subsidiaries are recognised by the purchase method. The acquisition cost comprises the aggregate fair value of assets delivered, equity instruments issued and liabilities incurred or assumed in exchange for achieving control over the acquired entity. The costs incurred on the acquisition, when directly attributable to the operation are recognised as costs for the period on the date of purchase (for acquisitions made between 1 January 2004 and 31 December 2009 these costs were added to the acquisition cost). Upon the acquisition date, which is the date upon which the Group achieves control over the subsidiary, identifiable assets, liabilities and contingent liabilities meeting the recognition requirements of IFRS 3 – "Business combinations" are recognised at their respective fair value.

Goodwill is the positive difference, upon the purchase date, between the cost of a subsidiary's acquisition and the fair value attributable to the acquisition of the respective assets, liabilities and contingent liabilitie. Goodwill is recognised as an asset and is not depreciated.

If the fair value of identifiable assets, liabilities and contingent liabilities acquired in the transaction exceeds the acquisition cost, the excess is recognised as income in profit and loss for the period.

The acquisition of non-controlling interests after control over a subsidiary has been achieved is recognised as a transaction with shareholders, with no additional goodwill being recognised. The difference between the value attributed to non-controlling interests and the respective acquisition cost at the transaction date is directly recognised as a charge to reserves. The impacts of disposals of non-controlling interests which do not entail a loss of control over a subsidiary are also recognised in reserves. Gains or losses on disposals of non-controlling interests, when entailing changes in control over the subsidiary, are recognised by the Group as a charge to its results on the transaction date.

The Group performs impairment tests on balance sheet goodwill, at least once a year, in accordance with the requirements of IAS 36 – "Impairment of assets". For this purpose, goodwill is allocated to cash flow generating units whose respective recoverable value is based on cash flow projections at discount rates the Group considers appropriate. Impairment losses on goodwill are recognised in its results for the year and cannot be reversed.

Up to 1 January 2004, as permitted by the accounting policies defined by the Bank of Portugal, goodwill was fully deducted from equity in the year of the acquisition of the subsidiaries. As permitted under IFRS 1, goodwill, generated on operations, up to 1 January 2004, continued to be deducted from reserves.

Accounting of written put options for non-controlling interests

Liabilities resulting from written put options for non-controlling interests are initially recognised by the Group as a charge to "Other reserves". Subsequent changes to the fair value of the put option measured on the basis of the agreed terms, are also recognised as a charge to "Other reserves", except for the funding costs on the recognition of the liability, which are recognised in "Interest and similar costs" in profit and loss.

2.5. Investments in associates and jointly controlled entities

"Associates" are companies over which the Group wields significant influence but whose management it does not effectively control. Significant influence is presumed to exist whenever the Group has a direct or indirect equity stake or voting rights of 20%, unless it can be clearly shown that this is not the case. In parallel, no significant influence is considered to exist whenever the referred to investment is less than 20%, unless the opposite can also be clearly shown.

According to the requirements of IAS 28, a significant influence by the Group usually takes one of the following forms:

. Membership of the Board of Directors or an equivalent management body;

. Participation in the process for defining policies, including resolutions on dividends or other appropriations;

. The occurrence of material transactions between the associate and the Group;

. The existence of interchange between members of management;

. The supply of essential technical information.

There are also situations in which the Group, together with other entities, wields joint control over the activity of a company in which the equity stake is held ("jointly controlled entities"), usually structured on a basis of the sharing of voting rights and similar decisions.

Investments in associates and jointly controlled entities are recognised by the equity accounting method. Under this method, investments are initially valued at their respective acquisition cost which is subsequently adjusted on the basis of the Group's effective percentage of changes in its participations 'shareholders' equity (including results). The equity accounting method is applied up to the time when the accumulated losses incurred by the associate or jointly controlled entities, when recognised by the Group, exceed the investment's respective balance sheet value from which time it is discontinued, unless any legal or constructive obligation requires a specific provision to be set up in recognition of such losses.

In the case of materially relevant differences, adjustments are made to the equity of the companies used for the application of the equity accounting method, to comply with the Group's accounting principles.

Goodwill, comprising the positive difference between the acquisition cost and fair value attributed to the acquisition of the respective assets, liabilities and contingent liabilities, continues to be recognised in the investment's carrying amount, whose full balance sheet amount is subject to annual impairment tests.

Unrealised gains or losses on transactions with associates and jointly controlled entities are eliminated to the extent of the Group's effective stake in the said entities.

2.6. Translation of balances and transactions in foreign currency

The separate accounts of each Group entity included in the consolidation are prepared in accordance with the currency used in the economic environment in which they operate and referred to as the functional currency. In the consolidated accounts, the results and financial position of each entity are expressed in euros as CGD Group's functional currency.

Foreign currency transactions are recognised in the separate financial statements of Caixa and its subsidiaries on the basis of the reference exchange rates in force on the transaction dates.

Monetary assets and liabilities denominated in foreign currency at each balance sheet date are translated into each entity's functional currency at the exchange rate in force. Non-monetary assets measured at fair value are translated on the basis of the exchange rate in force on the last measurement date. Non-monetary assets carried at historical cost, including tangible and intangible assets, continue to be recognised at their original exchange rates.

Exchange rate gains/losses on translation are recognised in results for the period, except for those originating from non-monetary financial instruments recognised at fair value, such as shares classified as available-for-sale financial assets, which are recognised in a specific equity account heading until disposal.

In the consolidated accounts, the assets and liabilities of entities with a functional currency other than the euro are translated at the closing exchange rate, as opposed to income and expenses which are translated at the average rate for the period. Under this method, exchange rate gains/losses are recognised in "Other reserves" in shareholders' equity and their respective balance transferred to profit and loss at the time of the subsidiaries' respective disposals.

As permitted by IFRS 1, the Group opted not to recalculate and therefore did not recognise the impact of the translation of the financial statements of its subsidiaries expressed in foreign currency up to 31 December 2003 in "Other reserves". Accordingly in the case of the disposals of subsidiaries or associates after the said date, only exchange rate gains/losses originating from 1 January 2004 will be reclassified to profit and loss.

2.7. Financial instruments

a) Financial assets

Financial assets are recognised at their respective fair value at the contract date. In the case of financial assets measured at fair value through profit or loss, the costs directly attributable to the transaction are recognised in the "Cost of services and commissions" account heading. In other cases, such costs are added to the asset's book value. Upon initial recognition, such assets are classified in one of the following IAS 39 categories:

i) Financial assets at fair value through profit or loss

This category includes:

- Financial assets held for trading, essentially comprising securities acquired for the purpose of realising gains on short term market price fluctuations. This category also includes derivatives, excluding derivatives complying with hedge accounting requirements; and
- Financial assets irrevocably designated at fair value through profit or loss ("Fair Value Option") upon initial recognition. This designation is restricted to situations in which their adoption results in the production of more relevant financial information, i.e.;
    - If their application eliminates or significantly reduces an accounting mismatch which would otherwise have occurred as

a result of measuring related assets and liabilities or an inconsistency in the recognition of gains and losses thereon;

- Groups of financial assets, financial liabilities, or both, which are managed and whose performance is assessed on a fair value basis, in accordance with formally documented risk management and investment strategies and when information thereon is internally distributed to management bodies;
- Financial instruments containing one or more embedded derivatives may also be classified herein, unless:
  - The embedded derivatives do not significantly modify the cash flows which would otherwise have been produced under the contract;
  - It is evident, with little or no analysis, that the implicit derivatives should not be separated out.

Financial assets classified in this category are recognised at fair value whose gains and losses generated by their subsequent valuation are recognised in profit and loss for the period in the "Income from financial operations" account. Interest is recognised in the appropriate "Interest and similar income" account headings.

ii) Held-to-maturity Investments

Fixed-income securities the Group intends and is able to hold to maturity are classified in this category.

These financial assets are recognised at amortised cost. In accordance with this method, the financial instruments' carrying amount at each balance sheet date comprises their initial cost, net of repayments of principal and impairment losses and adjusted for amortisation, using the effective interest rate method on any difference between the initial cost and the amount of the repayment.

Interest is recognised by the effective interest method, which enables amortised cost to be calculated and interest to be split up over the period of the operations. The effective interest rate is the rate used to discount the estimated future cash flows associated with the financial instrument, enabling their present value to be matched to the value of the financial instrument on the initial recognition date.

iii) Loans and accounts receivable

These are financial assets with fixed or determinable payments which are not listed in an active market. This category includes loans and advances to Group customers (including securitised credit), amounts to be received from other credit institutions and for the provision of services or disposals of assets, recognised in "Other assets".

These assets are initially recognised at fair value, net of any commissions included in the effective interest rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently recognised in the balance sheet at amortised cost net of impairment losses. Interest is recognised by the effective interest method, which enables amortised cost to be calculated and interest to be split up over the period of the operations. The effective interest rate is the rate used to discount the cash flow projections associated with the amount of the financial instrument, enabling its present value to be matched to the value of the financial instrument on the initial recognition date.

iv) Available-for-sale financial assets

This category includes the following financial instruments:

- Variable-income securities not classified as financial assets at fair value through profit or loss, including stable equity investments. It therefore also includes equity instruments held under the Group's venture capital operations, without associated options;
- Bonds and other fixed-income securities;
- Investment units in unit trust investment funds.

Available-for-sale financial assets are measured at fair value, except for equity instruments not listed on an active market whose fair value cannot be reliably measured, which continue to be recognised at cost. Revaluation gains or losses are recognised directly in "Fair value reserves" in shareholder's equity. At the time of sale or if considered impaired, accumulated fair value gains or losses are transferred to income or costs for the period and recognised in "Income from financial operations" or "Other asset impairment, net of reversals and recoveries", respectively.

To assess the proceeds on sale, assets sales are measured at their average weighted acquisition cost.

Interest on debt instruments classified in this category is calculated by the effective interest rate method and recognised in "Interest and similar income" in profit and loss.

Dividends from equity instruments classified in this category are recognised as income in "Income from equity instruments", when the Group's right to receive them has been established.

Reclassification of financial assets

The entry into force of the amendment to IAS 39 on 13 October 2008 entitled the Group to reclassify several financial assets recognised as "Financial assets held for trading" or "Available-for-sale financial assets" to other financial assets categories. Reclassifications to "Financial assets at fair value through profit or loss" categories continued to be prohibited. Under this standard, the reference date of reclassifications made by 1 November 2008 was accordingly 1 July 2008. Latter reclassifications had an impact on the referred to transfer between different categories of financial instruments as from the reference date.

Information on reclassifications made under the terms of the referred to amendment is set out in Note 8.

Fair value

As referred to above, financial assets recognised in "Fair value through profit or loss" and "Available-for-sale financial assets" categories are measured at fair value.

A financial instrument's fair value is the amount at which a financial asset or liability may be sold or settled between independent, knowledgeable parties in an arm's length transaction.

The fair value of financial assets is assessed by a Caixa body which is independent from the trading function, based on:

- The closing price at the balance sheet date, for instruments traded in active markets;
- Measurement methods and techniques are used for debt instruments not traded in active markets (including unlisted securities or securities with low liquidity) and include the following:
  - Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;
  - Bid prices obtained from financial institutions operating as market-makers;
  - Internal measurement models based on market data which would be used to define a financial instrument's price, reflecting market interest rates and volatility, in addition to the instrument's associated liquidity and credit risks.
- The value of unlisted equity instruments allocated to venture capital activity is based on the following:
  - Prices of materially relevant transactions made by independent entities over the last six months;
  - Multiples of comparable companies in terms of sector of activity, size and profitability;
  - Discounted cash flows, whose discount rates are tailored to the risk attached to the assets held.

  Measurements incorporate discount factors reflecting the securities' lack of liquidity. In the event of a right or contractual obligation to dispose of a specific asset, its respective valuation will also lie within a range between the values resulting from the above referred to measurement methods and the present value of the asset's disposal price, adjusted, when applicable, to reflect counterparty credit risk.
- Other unlisted equity instruments whose fair value cannot be reliably measured (e.g. no recent transactions) continue to be recognised at cost net of any impairment losses.

Amortised cost

Financial instruments at amortised cost are initially recognised at fair value, net of the income or costs directly attributable to the transaction. Interest is recognised in accordance with the effective interest rate method.

Whenever estimated payments or collections associated with financial instruments measured at amortised cost are revised, their respective book value is adjusted to reflect the revised cash flows. The new amortised cost is calculated on the present value of future cash flows discounted at the financial instrument's initial effective interest rate. The adjustment of amortised cost is recognised in profit and loss.

b) Financial liabilities

Financial liabilities are recognised on their contract date, at their respective fair value net of the costs directly attributable to the transaction. Financial liabilities are classified in the following categories:

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives with negative fair value, in addition to the short trading of fixed and variable-income securities. These liabilities are recognised at fair value. Gains or losses resulting from their subsequent appreciation are recognised in "Income from financial operations" account headings.

ii) Other financial liabilities

This category includes credit institutions' and customer resources, bond issuances, subordinated liabilities and liabilities incurred on the payment of services or purchase of assets, recognised in "Other liabilities".

These financial liabilities are measured at amortised cost. Any interest thereon is recognised by the effective interest rate method.

c) Derivatives and hedge accounting

The Group performs derivative operations as part of its activity to meet the needs of its customers and reduce its exposure to foreign exchange, interest rate and price fluctuations.

Derivatives are recognised at their fair value at the contract date. They are also recognised in off-balance sheet account headings at their respective notional value.

Derivatives are subsequently measured by their respective fair value. Fair value is assessed:

- On the basis of prices obtained in active markets (e.g. futures trading in organised markets);
- On the basis of models incorporating measurement techniques accepted in the market, including discounted cash flows and options measurement models;
- Up to 31 December 2012, fair value on derivatives was assessed on the basis of discounted cash flow projections at a risk-free interest rate. The initial margin obtained in these operations was deferred for the respective period and specific adjustments recognised on the measurement of derivatives with an increased credit risk. During the course of 2013, as a result of the adoption of IFRS 13, the Group's valuation of these financial instruments included specific adjustments to reflect its own credit risk based on a market discount curve which, in its opinion, reflected its associated risk profile. The Group simultaneously adopted a similar methodology to reflect counterparty credit risks on derivatives with a positive fair value, having, as a result of this situation discontinued the procedure of deferring the initial margin.

Embedded derivatives

Derivatives embedded in other financial instruments are separated out from the host contract and processed separately under IAS 39, whenever:

- The embedded derivative's economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract as defined in IAS 39; and
- The total combined financial instrument is not recognised at fair value, with the respective changes being recognised in profit and loss.

The main impact of this procedure on the Group's activity consists of the need to separate out and value the derivatives embedded in deposits and debt instruments, i.e. instruments whose returns do not comprise interest (e.g. returns indexed to share prices or indices, exchange rates, etc.). At the time of separation, the derivative is recognised at its respective fair value, with the initial amount of the host contract comprising the difference between the total value of the combined contract and the initial revaluation of the derivative. Therefore, no profit is recognised on the operation's initial recognition.

Hedge derivatives

These derivatives are contracted to hedge the Group's exposure to the risks attached to its activity. Classification as a hedge derivative and use of hedge accounting rules, as described below, are contingent upon compliance with IAS 39 requirements.

At 30 June 2014 and 31 December 2013, the Group only hedged its exposure to changes in the fair value of financial instruments recognised in its balance sheet, referred to as "Fair value hedges".

The Group prepares formal documentation when a hedge relationship is entered into, to include the following minimum aspects:

- Risk management objectives and strategy associated with the hedge operation, according to defined risk hedging policies;
- Description of the respective risk(s);
- Identification and description of hedged and hedging financial instruments;
- Hedge effectiveness and periodicity of assessment method.

Hedge effectiveness tests are performed and documented monthly by comparing the change in fair value of the hedge instrument and hedged item (part attributable to the hedged risk). To enable the use of hedge accounting under IAS 39, the ratio should lie within a range of 80% to 125%. Prospective effectiveness tests are also performed to estimate the hedge's future effectiveness.

Hedge derivatives are recognised at fair value and their results recognised daily in income and costs for the period. If the hedge is shown to be effective, i.e. an effectiveness ratio of between 80% and 125%, the Group also recognises the change in fair value of the hedged item attributable to the hedged risk in net income for the period in "Income from financial operations". In the case of instruments with an interest component (e.g. interest rate swaps), accrued interest for the current period and realised cash flows are recognised in "Interest and similar income" and "Interest and similar costs" in net interest income.

Hedge accounting is discontinued whenever hedges cease to meet the hedge accounting requirements defined in the standard or if Caixa revokes this designation. In such situations the adjustments made to hedged items up to the date in which hedge accounting ceases to be effective or if the designation is revoked, are recognised in results up to the financial asset's or liability's maturity, based on the effective interest rate method.

Positive and negative revaluations of hedge derivatives are recognised in specific assets and liabilities account headings.

Valuations of hedged items are classified in the balance sheet account headings in which the instruments are recognised.

Trading derivatives

Trading derivatives include all derivatives not associated with effective hedge relationships in accordance with IAS 39, i.e.

- Derivatives hedging the risk on assets or liabilities recognised at fair value through profit or loss, thus rendering hedge accounting unnecessary;
- Risk hedging derivatives which do not meet IAS 39 hedge accounting requirements, owing to the difficulty in specifically identifying the hedged items, in cases other than micro-hedges or if the results of the effectiveness tests fall outside the range permitted by IAS 39;
- Derivatives contracted for trading purposes.

Trading derivatives are recognised at fair value, with daily changes being recognised in income and costs for the period in "Results from financial operations", except for the part relating to accrued and liquidated interest, which is recognised in "Interest and similar income" and "Interest and similar costs". Positive and negative revaluations are recognised in "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss", respectively.

d) Impairment of financial assets

Financial assets at amortised cost

The Group periodically performs impairment tests on its financial assets at amortised cost, i.e. "Loans and advances credit institutions" and "Loans and advances to customers".

Signs of impairment are assessed separately in the case of financial assets with significant exposure amounts and collectively in the case of like-for-like assets, whose debtor balances are not individually relevant.

Under IAS 39, the following events are considered to be signs of impairment on financial assets at amortised cost:

- Breach of contract, such as overdue payments of interest or principal;
- A record of defaults in the financial system;
- Existence of loan or credit restructuring operations or their respective negotiations;
- Difficulties in terms of the capacity of partners and management, notably when leading partners or key employees leave the company or in the event of disputes between partners;
- Significant financial difficulties of a debtor or debt issuing entity;
- Strong probability of a debtor's or debt issuing entity's bankruptcy;
- The worsening of a debtor's competitive position;
- A track record of collections suggesting that the nominal value will not be fully recovered.

Whenever signs of impairment on separately assessed assets are identified, any impairment loss comprises the difference between the present value of future cash flows (recoverable value) discounted at the asset's effective original interest rate and book value at the time of analysis.

Impairment on loans collateralised by shares is calculated on the shares' estimated realisation price within a period compatible with the maturity of the loans. Additional collateral received and a debtor's financial capacity are also considered.

Assets which are not included in a specific analysis are included in a collective impairment analysis and classified in like-for-like groups (based on counterparty and credit type), with the operations being contaminated by the counterparty's most serious classification, which is assessed on the basis of the identification of the above referred to impairment indices. Cash flow projections are based on historical information on defaults and recoveries on assets with similar characteristics.

Separately analysed assets on which no objective signs of impairment have been identified are also included in collective impairment assessments, as described in the preceding paragraph.

Impairment losses, calculated in the collective analysis, include the time effect of the discounting of cash flow receivable projections on each operation at the balance sheet date.

The amount of impairment is recognised in "Loan impairment, net of reversals and recoveries" and "Other assets impairment net of reversals and recoveries" and recognised separately in the balance sheet as a deduction from the amount of the respective assets.

Write-offs/downs of principal and interest

The Group periodically writes-off/down non-recoverable loans using the respective accumulated impairment loss following a specific analysis by the structural bodies responsible for monitoring and recovering loans and the approval of the Executive Committee of the various bodies involved. Any recoveries of written-off/down credit are recognised as a deduction from the impairment losses balance recognised in "Loan impairment, net of reversals and recoveries" in profit and loss.

In accordance with the policies in force within the Group, interest on overdue credit without a real guarantee is written-off three months from an operation's due date or first overdue instalment. Unrecognised interest on the above referred to credit is only recognised in the period in which it is charged.

Interest on overdue credit on mortgage loans or other real guarantees is not written-off/down when the accumulated amount of outstanding principal and overdue interest is less than the amount of the collateral.

Recoveries of written-off/down interest are also credited to "Loan impairment, net of reversals and recoveries".

<u>Available-for-sale financial assets</u>

As referred to in Note 2.7. a), available-for-sale financial assets are recognised at fair value. Changes in fair value are recognised in the "Fair value reserve" in equity.

Whenever there is objective evidence of impairment, the accumulated capital losses recognised in reserves are transferred to costs for the period in the form of impairment losses and recognised in "Other asset impairment, net of reversals and recoveries".

In addition to the above referred to signs of impairment on financial assets at amortised cost, IAS 39 also provides for the following specific evidence of impairment on equity instruments:

- Information on significant changes having an adverse effect on the technological, market, economic or legal environment in which the issuing entity operates, indicating that the cost of the investment may not be fully recovered;

- A significant or extended decline in market value below cost.

The Group performs an impairment analysis on available-for-sale financial assets at each financial statement's reference date, taking the referred to assets' nature and specific, separate characteristics into consideration.

In addition to the results of the analysis, the following events were considered to be signs of objective evidence of impairment on equity instruments:

- Existence of unrealised capital losses of more than 50% of the respective acquisition cost;
- When the fair value of a financial instrument remains below its respective acquisition cost for a period of more than 24 months.

The existence of unrealised capital losses of more than 30% for a period of more than nine months was also considered to be objective evidence of impairment.

As impairment losses on equity instruments cannot be reversed, any unrealised capital gains arising after the recognition of impairment losses are recognised in the "Fair value reserve". Impairment, recognised in profit and loss for the period, is always considered to exist on any additional capital losses.

The Group also performs periodic impairment analyses on financial assets recognised at cost, i.e. unlisted equity instruments whose fair value cannot be reliably measured. The recoverable value, in this case, is the best estimate of the future cash flows receivable on the asset, discounted at a rate adequately reflecting the risk attached to holding the asset.

The amount of the impairment loss is recognised directly in profit and loss for the period. Impairment losses on such assets cannot be reversed.

2.8. Non-current assets held-for-sale and groups of assets and liabilities for disposal

IFRS 5 – "Non-current assets held-for-sale and discontinued operations" applies to separate and groups of assets for disposal, either by sale or another aggregate means, in a single transaction in addition to all liabilities directly associated with such assets, which may be transferred in the transaction (referred to as "groups of assets and liabilities for disposal").

Non-current assets or groups of assets and liabilities for disposal are classified as held-for-sale whenever their book value is expected to be recovered from sale and not their continued use. The following requirements must be met for an asset (or group of assets and liabilities) to be classified under this account heading:

- There must be a strong probability of sale;
- The asset must be available for immediate sale in its present state;
- The sale should be expected to occur within a year from the asset's classification in this account heading.

Assets recognised in this account heading are not amortised and are measured at their acquisition cost or fair value, whichever less, net of the costs incurred on the sale. The assets' fair value is calculated by appraisers.

Impairment losses are recognised in "Other assets impairment, net of reversals and recoveries when the assets' book value exceeds their fair value, net of sales costs.

Property and other assets which have been auctioned for overdue credit recovery purposes are also recognised in this account heading at their bid price.

The value of property received in kind for credit recovery purposes is periodically assessed. Impairment losses are recognised when the amount of the valuation net of the estimated costs to be incurred on the sale, is less than their book value.

Auctioned property is written-off/down from assets held for sale and their respective gains or losses recognised in "Other net operating income".

At 31 December 2013, this account heading also included the assets and liabilities of Caixa Group insurance companies in the framework of the referred to companies' privatisation process.

2.9. Investment properties

Investment properties are properties held by the Group with the objective of obtaining income from rentals and/or appreciation in their value.

Investment properties are not depreciated and are recognised at fair value, by appraisers. Fair value changes are recognised in "Other net operating income" in profit and loss.

2.10. Other tangible assets

Other tangible assets are recognised at their acquisition cost, net of their accumulated depreciation and impairment losses. The costs of repairs, maintenance and other expenses associated with their use are recognised as a cost for the period in "Other administrative cost".

Up to 1 January 2004, Caixa and several of its subsidiaries revalued their tangible assets under the terms of the applicable legislation. As permitted under IFRS 1, in the transition to IFRS, their book value, incorporating the effect of the referred to revaluations, was considered to be the cost, as their result, at the time of the revaluation generally corresponded to cost or depreciated cost under IFRS, adjusted to reflect changes to price indices. In the case of companies headquartered in Portugal, as 40% of the increase in depreciation on these revaluations is not tax deductible, the corresponding deferred tax liabilities thereon have been recognised.

Depreciation is recognised on a straight line basis over the assets' estimated useful lives, comprising the periods in which the assets are expected to be available for use, i.e.

	Years of useful life
Property for own use	50 - 100
Equipment:	
Furniture and material	8
Machines and tolls	5 - 8
Computer equipment	3 - 8
Interior fittings	3 - 10
Transport material	4 - 6
Security equipment	4 - 10

Land is not depreciated.

The cost of works on and improvements to property leased by the Group under operating leases is capitalised in this account heading and depreciated over an average period of 10 years.

Depreciation is recognised as a cost for the period.

Tests are periodically carried out to identify signs of impairment on other tangible assets. Impairment losses are recognised in profit and loss for the period in "Other assets impairment, net of reversals and recoveries" whenever the net book value of tangible assets is higher than their recoverable value (value in use or fair value whichever the higher). Impairment losses may be reversed and also have an impact on profit and loss in the event of a subsequent increase in an asset's recoverable value.

The Group periodically assesses the adequacy of its tangible assets' useful lives.

2.11. Finance leases

Finance lease operations are recognised as follows:

<u>As lessee</u>

Assets purchased under finance lease agreements are recognised at their fair value in "Other tangible assets" and in liabilities, in line with their respective repayments.

Lease instalments are divided up in accordance with the respective financial schedule, whose liabilities are reduced by the repayments of principal. Interest payments are recognised in "Interest and similar costs".

<u>As lessor</u>

Leased assets are recognised in the balance sheet as "Loans and advances to customers" whose principal is repaid in accordance with the contract's repayments schedule. Interest included in the instalments is recognised in "Interest and similar income".

2.12. Intangible assets

This account heading essentially comprises the cost of acquiring, developing or preparing software used for the development of the Group's activities. In cases in which the requirements of IAS 38 – "Intangible assets" are met, the direct internal costs incurred on the development of software are capitalised as intangible assets. These costs essentially comprise employee costs.

Intangible assets are recognised at their acquisition cost net of accumulated depreciation and impairment losses.

Depreciation is recognised on a straight line basis over the assets' estimated useful lives, which is normally between 3 and 6 years.

Software maintenance costs are recognised as a cost for the period in which they are incurred.

2.13. Income tax

Current tax

CGD is subject to the fiscal regime set out in the IRC (Corporate Income Tax) Code and, starting 2012, was taxed under the special tax regime for corporate groupings of article 69 *et seq.* of the referred to code. The Group perimeter covered by the referred to tax regime, of which CGD is the dominant entity, comprises all companies headquartered and with effective management in Portugal whose total income is subject to the general IRC tax regime, at the highest standard rate, in whose equity capital it has either a direct or indirect equity stake of at least 75% (90% up to 31 December 2013), for a period of more than 1 year (with 1 January 2012 as the initial reference period) and when the equity stake entitles it to more than 50% of the voting rights.

Taxable profit is calculated on the separate algebraic sum of the taxable profit and tax losses separately made by the companies in the perimeter. Branch accounts are accordingly included in its respective HQ accounts under the principle of the taxation of global profit provided for in article 4 of the IRC Code. In addition to being subject to IRC, in Portugal, branch net income is also subject to local taxes in the countries/territories in which they are established. Local taxes are deductible from the Group's tax bill under article 91 of the respective Code and Double Taxation Agreements entered into by Portugal.

The income tax of foreign subsidiaries is calculated and recognised on the basis of the rules in force in the respective countries.

Current tax is calculated on taxable profit for the period, which differs from accounting income owing to adjustments resulting from expenses or income not considered for fiscal purposes or only considered in other accounting periods.

The following is a summary of several of the most significant fiscal aspects related to the Group's activity in Portugal.

Adjustments to accounting income

– *Income earned by non-resident subsidiaries benefiting from a more favourable tax regime*

  Under Article 66 of the IRC Code, profit made by non-resident companies benefiting from a clearly more favourable tax regime is imputed to Caixa, in proportion to its equity stake and independently of its appropriation, provided that Caixa has a direct or indirect equity stake of at least 25% or at least 10% if 50% of the non-resident company is either directly or indirectly owned by resident shareholders.

A company is considered to benefit from a clearly more favourable regime (i) when it is resident in a territory listed in Ministerial Order 292/2011 of 8 November, or (ii) when it is not subject therein to local income taxes which are identical or similar to IRC, or (iii) when the income tax effectively paid is equal to or less than 60% of the IRC that would have been payable if the company were resident in Portugal. Starting 2014, reference to the tax rate effectively paid is made, under the terms of the Code, at the tax rate applicable to the scope of its activity.

In these cases, the profit is included in Caixa's taxable income for the period in which the end of the non-resident company's tax period is included in the form of its net profit in proportion to Caixa's capital holding. The amount of the income included is deductible from the taxable profit for the period in which the referred to profits are eventually distributed to Caixa.

– *Provisions*

In calculating taxable income for the half year ended 30 June 2014 and in 2013, both Caixa and the other Group entities subject to the supervision of the Bank of Portugal considered the effect of the following rules, when applicable:

- The dispositions of article 28-C of the IRC Code according to which provisions for a specific credit risk on credit collateralised by real rights on property and country-risk provisions on loans to companies in which the Group has a stake of more than 10%, are not tax deductible;
- The dispositions of no. 2 of article 28-A of the IRC Code according to which, starting 1 January 2003, none of the provisions for general credit risks calculated under the terms of the Bank of Portugal's *Official Notice* 3/95 was tax deductible. In addition, under the terms of current legislation, whenever provisions for general credit risk are restored, income is firstly considered to have been a fiscal cost in the period of its respective constitution.

– *Staff costs*

CGD has considered its payment of staff costs, processed and recognised in the accounts, including, *inter alia*, costs associated with pensions and other post-employment benefits to be tax deductible, up to the limit of the contributions effectively made. This procedure is in line with the respective understanding of the Secretary of State for Fiscal Affairs of 19 January 2006, according to which the amounts recognised in costs under the terms of the applicable accounting regulations, limited by the amount of the contribution effectively made to the pension fund in the same or past years, are tax deductible under the rules of article 43 of the IRC Code.

Also herein and as a result of the change in accounting policy on the recognition of actuarial gains and losses on pension plans and other post-employment benefits with reference to 31 December 2011, the whole of the deferred net liabilities balance recognised in Caixa's balance sheet at the said date was recognised as a charge to reserves. The component relating to the negative equity changes on pensions liabilities, in compliance with the requirements of article 183 of Law 64-A of 30 December approving the State Budget Law for 2012, on Caixa and other subsidiaries headquartered on Portuguese territory, which are not considered for tax purposes, in the period, will be recognised as a deduction from taxable profit, in equal parts, in the ten years starting on or after 1 January 2012.

- *Settlement results*

  According to article 92 of the IRC Code, changed by the State Budget Law for 2011, taxable income, net of deductions for international double taxation and tax benefits, may not be less than 90% of the amount which would have been assessed if the taxpayer (i) had not enjoyed tax benefits, (ii) had not made supplementary contributions to pension funds and the like to cover retirement pension liabilities and (iii) had not taken advantage of the carry-back of tax losses of the merged companies to be deducted from the taxable profit of the new incorporating company. The dispositions of the preceding sub-paragraph (iii) ceased to be applicable starting 2014, on account of the changes made by Law 2/2014 of 16 January.

  The tax benefits referred to in no. 2 of the same article, are excluded from the settlement results.

  CGD did not make any adjustment to its assessment of taxable income for the half year ended 30 June 2014 and in 2013 as a result of the application of this article.

Deferred tax

Total income tax recognised in profit and loss includes current and deferred taxes.

Deferred tax comprises the impact on tax recoverable/payable in future periods of temporary deductible or taxable differences between the book value of assets and liabilities and their fiscal basis, used to assess taxable profit.

Whereas deferred tax liabilities are normally recognised for all temporary taxable differences, deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable profit allowing the use of the corresponding deductible tax differences or carry-back of tax losses is generated. Neither are deferred tax assets recognised in cases in which their recoverability may be questionable owing to other situations, including issues regarding the interpretation of current tax legislation.

Deferred tax is not recognised in the following situations:

- Temporary differences arising from goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities on transactions which do not affect accounting income or taxable profit;
- Taxable temporary tax differences resulting from the undistributed profit of subsidiaries and associates, to the extent that the Group is able to control their reversal which is unlikely to occur in the foreseeable future.

The main situations originating temporary differences on a Group level are provisions and impairment which are temporarily non-tax deductible and employee benefits.

Deferred taxes are calculated at the tax rates expected to apply on the temporary differences' reversal date, comprising the approved or substantially approved rates at the balance sheet date.

Income tax (current or deferred) is recognised in profit and loss for the period, unless its originating transactions have been directly recognised in other equity headings (e.g. revaluations of available-for-sale financial assets and when related to changes in accounting policy made under the recognition of pension fund liabilities and other post-employment benefits, as provided for in article 183 of Law 64-B/2011 of 30 December). The corresponding tax, in these situations, is also reflected as a charge to equity.

2.14. Provisions and contingent liabilities

A provision is set up whenever a present (legal or constructive) obligation results from past events and is likely to entail a future outflow of resources and when this may be reliably assessed. The amount of the provision comprises the best estimate of the amount needed to settle the liability at the balance sheet date.

A contingent liability exists when the future outflow of resources is unlikely. Contingent liabilities require no more than a disclosure procedure, unless the probability of their occurrence is remote.

Provisions for other risks are for:

- Liabilities for guarantees provided and other off-balance sheet commitments, based on a risk analysis of operations and respective customers;
- Legal, fiscal and other contingencies resulting from the Group's activity.

2.15. Employee benefits

Liabilities for employee benefits are recognised in accordance with IAS 19 – Employee Benefits principles. The main benefits granted by Caixa include retirement and survivors' pensions, healthcare costs and other long term benefits.

<u>Pension and healthcare liabilities</u>

CGD Group has several pension plans, including defined benefit and in several situations, defined contribution plans. Caixa is therefore liable for the payment of retirement, disability and survivors' pensions of its employees. Other Group companies, such as Banco Comercial do Atlântico, Banco Caixa Geral and Banco Nacional Ultramarino (Macau) also have defined benefit plans.

Healthcare for CGD's (HQ) current and retired employees is also provided by Caixa Geral de Depósitos's Social Services and funded by contributions from CGD (HQ) and its employees. Caixa also has liabilities for contributions to SAMS (Healthcare Services) for former BNU employees who had retired prior to the 23 July 2001 merger between BNU and CGD.

The liability for defined benefit plans recognised in the balance sheet comprises the difference between the present value of liabilities and fair value of pension funds' assets. Total liabilities are calculated annually by specialised actuaries, using the Unit Credit Projected method and adequate actuarial premises. The rate used for liabilities discounting procedures is based on market interest rates on investment grade corporate bonds denominated in the currencies in which the liabilities are paid and with similar periods to maturity to the average settlement period on liabilities.

Gains and losses on differences between actuarial and financial premises and the effective amounts of liabilities and pension fund yield projections, as well as on changes in actuarial premises are recognised as a charge to "Other reserves".

The Group does not usually assume any liability for defined contribution plans, other than its annual contributions and no additional costs are accordingly recognised.

Retirement pensions and healthcare costs for the period, including current servicing requirements and net interest costs, are aggregated and recognised in the appropriate "Staff costs" heading.

The impact of employees' early retirements, as defined in the actuarial study, is directly recognised in "Staff costs". Caixa also recognises a specific liability for the impact of the change to the "no longer employed" status of employees with whom it has entered into suspension of labour agreements. This provision is also recognised as a charge to profit and loss in the "Staff costs" account heading.

<u>Other long term benefits</u>

The Group also has liabilities for other long term benefits to its employees, including liabilities for seniority bonuses and death grants prior to normal retirement age. Death grants after the normal retirement age are covered by the Pension Fund.

Liabilities for such benefits are also based on actuarial calculations. All actuarial gains and losses are recognised as a charge to net income for the period under IAS 19, for the type of benefits identified.

<u>Short term benefits</u>

Short term benefits, including employees' productivity bonuses, are recognised on an accrual basis in "Staff costs" for the respective period.

2.16. Commissions

As referred to in Note 2.7, commissions on credit operations and other financial instruments, i.e. commissions charged or paid on originating operations, are included in amortised cost and recognised over the course of the operation, using the effective interest method, in "Interest and similar income".

Commissions for services provided are usually recognised as income over the period of the provision of the service or as a lump sum if resulting from single acts.

2.17. Issuance of equity instruments

The issuance of equity instruments is recognised at the fair value of the compensation received, net of the issuance's direct costs.

Preference shares issued by the Group are classified in accordance with the criteria defined in IAS 32. Accordingly, in situations in which payments and/or redemptions of dividends are exclusively at the Group's discretion, the securities issued are considered as equity instruments. Preference shares issued by subsidiaries complying with these requirements are recognised in "Non-controlling interests" in the consolidated balance sheet.

2.18. Securities and other items held under custody

Securities and other items held under custody, i.e. customers' securities, are recognised in off-balance sheet accounts, at their nominal value.

2.19. Cash and cash equivalents

For the preparation of its cash flow statements, the Group considers "Cash and cash equivalents" as the "Cash and cash equivalents at central banks" and "Cash balances at other credit institutions" total.

2.20. Critical accounting estimates and more relevant judgmental issues for the application of accounting policies

The application of the above described accounting policies requires Caixa's Executive Committee and Group companies to make estimates. The following estimates have the greatest impact in the Group's consolidated financial statements.

Assessment of impairment losses on loans and other accounts receivable

The assessment of impairment losses on loans is based on the methodology defined in Note 2.7. d). Impairment on separately analysed assets, is, accordingly, based on a specific assessment by Caixa, based on its knowledge of a customer's situation and guarantees associated with the operations in question.

The assessment of impairment on a collective basis is based on historical parameters for comparable types of operations, considering default and recovery estimates.

Caixa considers that the assessment of impairment based on this methodology enables the risks on its loan portfolio to be adequately recognised, in line with the requirements of IAS 39.

Assessment of impairment losses on assets measured as a charge to fair value reserves

According to the measurement requirements on such assets, capital losses on the depreciation of such assets' market value are recognised as a charge to the "Fair value reserve". Whenever any objective signs of impairment are in evidence, accumulated capital losses recognised in the "Fair value reserve" are transferred to costs for the period.

Assessments of impairment losses on equity instruments may be subjective. The Group assesses whether impairment on such assets exists on the basis of a specific analysis at each balance sheet date, considering the signs defined in IAS 39 (see Note 2.7. d)). As a general rule, impairment is assessed whenever the amount invested is unlikely to be fully recovered owing to the size of the capital loss.

In the case of debt instruments classified in this category, capital losses are transferred from the "Fair value reserve" to profit and loss, whenever there are any signs of a possible default on contractual cash flows, i.e. owing to an issuing entity's financial difficulties, defaults on other financial liabilities or a significant rating downgrade.

Measurement of financial instruments not traded in active markets

Under IAS 39, the Group measures all financial instruments at fair value, unless recognised at amortised cost. The valuation models and techniques described in Note 2.7. are used to measure financial instruments not traded in liquid markets. The valuations obtained comprise the best estimate of the fair value of the referred to instruments at the balance sheet date. As referred to in Note 2.7., to ensure an adequate level of segregation between functions, the valuation of these financial instruments is measured by a body which is independent from the trading function.

Employee benefits

As referred to in Note 2.15. above, the Group's liabilities for its employees' post-employment and other long term benefits are assessed on an actuarial basis. The actuarial calculations incorporate, *inter alia,* financial and actuarial premises on mortality, disability, salary and pension growth, asset yields and discount rates. The premises are the Group's and its actuaries' best estimates of the future performance of the respective variables.

Impairment of goodwill

As referred to in Note 2.4. above, the Group performs impairment tests on balance sheet goodwill at least once a year. These tests are based on each business unit's cash flow projections, discounted at appropriate rates.

The projections include a broad range of assumptions on the evolution of the business units' future activities, which may or not materialise. Such assumptions, however, reflect the Group's best estimate at the balance sheet date.

Assessment of income tax

Income tax (current and deferred) is assessed by Group companies on the basis of the rules defined in the current tax legislation of the countries in which they operate. In several cases, however, tax legislation is not sufficiently clear and objective and may give rise to different interpretations. Although the amounts recognised, in such cases, represent the best understanding of Caixa's and CGD Group companies' responsible bodies, on the correctness of their operations, they may be questioned by the Tax Authorities.

The Group's recognition of deferred tax assets is based on expectations of future taxable profit enabling the use thereof. Deferred tax generated by the carry-back of tax losses is only recognised if it is concluded that it may be reversed during the periods lawfully defined for the purpose. The assessment is naturally contingent upon the existence of the premises considered.

3. GROUP COMPANIES AND TRANSACTIONS IN PERIOD

The Group's structure in terms of its main subsidiaries, by sector of activity and respective financial data taken from their separate statutory financial accounts, unless otherwise specified, is summarised below:

		30-06-2014			31-12-2013	
Activity / Entity	Head office	% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Holding Companies						
Caixa - Gestão de Ativos, SGPS, S.A.	Lisbon	100.00%	17,714	10	25,326	7,622
Caixa - Participações, SGPS, S.A.	Lisbon	100.00%	71,475	5,096	93,021	15,995
Caixa Desenvolvimento, SGPS, S.A.	Lisbon	99.71%	468	3	465	1
Caixa Seguros e Saúde, SGPS, S.A.	Lisbon	100.00%	1,577,554	509,549	1,068,005	85,429
Gerbanca, SGPS, S.A.	Lisbon	100.00%	79,244	(23)	79,267	(49)
Parbanca, SGPS, S.A.	Madeira	100.00%	59,371	5,899	77,727	17,976
Parcaixa SGPS, S.A.	Lisbon	51.00%	955,456	12,520	954,665	19,406
Partang, SGPS, S.A.	Lisbon	51.00%	158,318	14,701	140,714	25,616
Banking						
Banco Caixa Geral, S.A. (b)	Vigo	99.79%	424,612	11,824	448,847	(57,413)
Banco Comercial do Atlântico, S.A.R.L.	Praia	57.91%	40,096	(534)	33,870	(54)
Banco Comercial e de Investimentos, S.A.R.L.	Maputo	51.26%	149,110	12,370	151,795	35,928
Banco Caixa Geral Brasil, S.A.	São Paulo	100.00%	131,831	(738)	132,774	857
Banco Interatlântico, S.A.R.L.	Praia	70.00%	15,540	(29)	15,691	771
Banco Nacional Ultramarino, S.A. (Macau)	Macau	100.00%	484,506	18,929	479,254	37,941
Caixa - Banco de Investimento, S.A. (b)	Lisbon	99.72%	342,924	11,223	314,835	28,156
CGD - North America Finance	Delaware	100.00%	1	-	1	-
CGD Investimentos CVC, S.A.	São Paulo	99.86%	10,174	(2,592)	11,877	(19,878)
Mercantile Bank Holdings, Ltd. (b)	Johannesburg	100.00%	127,864	3,852	122,582	10,717
Banco Caixa Geral Totta Angola, S.A.	Luanda	26.01%	254,175	28,828	248,285	52,221
Insurance						
Cares - Companhia de Seguros, S.A.	Lisbon	-	-	-	25,780	6,187
Fidelidade - Companhia de Seguros, S.A.	Lisbon	-	-	-	1,155,457	103,810
Companhia Portuguesa de Resseguros, S.A.	Lisbon	-	-	-	10,585	529
Garantia - Companhia de Seguros de Cabo Verde, S.A.R.L.	Praia	-	-	-	9,167	401
Multicare - Seguros de Saúde, S.A.	Lisbon	-	-	-	49,864	3,687
Universal Seguros, S.A. (Angola)	Luanda	-	-	-	2,830	(106)
Via Directa - Companhia de Seguros, S.A.	Lisbon	-	-	-	30,573	421
Specialised Credit						
Caixa Leasing e Factoring - Instituição Financeira de Crédito, S.A.	Lisbon	51.00%	61,890	(4,818)	66,708	(20,866)
Promoleasing - Sociedade de Locação Financeira, S.A.	Praia	51.27%	289	5	176	12
Asset Management						
Caixagest - Técnicas de Gestão de Fundos, S.A.	Lisbon	100.00%	27,125	953	28,725	2,544
CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Lisbon	100.00%	4,256	470	4,675	889
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Lisbon	100.00%	4,749	2,549	7,245	5,045
Venture Capital						
A Promotora, Sociedade de Capital de Risco, S.A.R.L.	Praia	45.30%	3,287	76	3,169	11
Caixa Capital - Sociedade de Capital de Risco, S.A.	Lisbon	99.71%	47,810	1,968	45,841	3,816
Real Estate						
Imobci, Lda.	Maputo	45.13%	23	(186)	-	-
Imocaixa - Gestão Imobiliária, S.A.	Lisbon	100.00%	(38,314)	(76)	(38,238)	(13,928)
Caixa Imobiliário, S.A.	Lisbon	100.00%	(81,690)	(8,947)	(72,743)	(41,141)
Fidelidade - Investimentos Imobiliários, S.A.	Lisbon	-	-	-	44,390	(1,199)
Inmobiliaria Caixa Geral S.A.U.	Madrid	100.00%	(44,910)	(713)	(44,197)	(11,376)
Cibergradual, Investimento Imobiliário, S.A.	Lisbon	100.00%	(45,348)	(145)	(37,203)	(15,296)
Other Financial Entities						
CGD Finance	Cayman	100.00%	2,580	(12)	2,592	(26)
Caixa Geral Finance (c)	Cayman	0.00%	111,219	-	111,219	-

(a) Equity includes net income for the year.
(b) Data taken from consolidated financial statements.
(c) Share capital comprises 1 000 ordinary shares of EUR 1 and 110 128 non-voting preference shares of EUR 1 000 each.

Activity / Entity	Head office	30-06-2014			31-12-2013	
		% Effective participating interest	Equity (a)	Net income	Equity (a)	Net income
Other Companies						
Caixanet - Telemática e Comunicações, S.A.	Lisbon	80.00%	1,814	12	1,801	19
Caixatec, Tecnologias de Comunicação, S.A.	Lisbon	100.00%	(1,014)	(368)	(630)	(404)
Cares RH - Companhia de Assistência e Representação de Seguros, S.A.	Lisbon	-	-	-	2,251	651
Cares Multiassistance, S.A.	Lisbon	-	-	-	2,729	1,780
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	Lisbon	-	-	-	164	18
LCS - Linha de Cuidados de Saúde, S.A.	Lisbon	100.00%	1,576	(253)	3,222	1,637
Cetra - Centro Técnico de Reparação Automóvel, S.A.	Lisbon	-	-	-	4,335	136
GEP - Gestão de Peritagens Automóveis, S.A.	Lisbon	-	-	-	327	71
HPP International Ireland, Ltd.	Dublin	100.00%	30,869	(6)	30,875	(19)
HPP International - Luxembourg, S.A.R.L.	Luxembourg	100.00%	(33,683)	(11)	(33,672)	266
Wolfpart, SGPS, S.A.	Lisbon	100.00%	(156,843)	(10,082)	(146,761)	(68,341)
Complementary Corporate Groupings						
Groupment d'Interet Economique	Paris	100.00%	-	-	-	-
Sogrupo - Compras e Serviços Partilhados, ACE	Lisbon	100.00%	-	-	-	-
Sogrupo - Sistemas de Informação, ACE	Lisbon	100.00%	-	-	-	-
Sogrupo IV - Gestão de Imóveis, ACE	Lisbon	100.00%	-	-	-	-
Special Purpose Entities and Investment Funds						
Fundo Nostrum Mortgage 2003-1	Lisbon	100.00%	334,484	43	352,130	174
Nostrum Mortgages PLC	Dublin	100.00%	16,599	(355)	16,955	12,832
Nostrum Mortgages Nº. 2	Lisbon	100.00%	-	-	-	-
Fundo de Capital de Risco - Grupo CGD - Caixa Capital	Lisbon	99.98%	305,798	2,094	303,704	(24,434)
Fundo de Capital de Risco Empreender Mais	Lisbon	100.00%	12,837	(698)	8,535	(2,365)
Fundo de Capital de Risco Caixa Fundos	Lisbon	100.00%	39,351	(978)	40,330	(1,997)
Fundo de Capital de Risco Caixa Crescimento	Lisbon	100.00%	4,904	(74)	4,979	(21)
Fundo de investimento Imobiliário Fechado para Arrendamento Habitacional - Caixa Arrendamento	Lisbon	87.86%	115,961	765	115,196	713
Fundo Investimento Imobiliário Fechado Imocentro	Lisbon	100.00%	2,156	(1,299)	3,454	(938)
Caixagest Seleção Global	Lisbon	-	-	-	66,923	3,626
Fundo Especial de Investimento Aberto Estratégias Alternativas	Lisbon	75.36%	16,949	(249)	17,366	67
Caixa Imobiliário - Fundo de Investimento Fechado de Arrendamento Habitacional	Lisbon	100.00%	45,375	(225)	45,600	(742)
Caixagest Private Equity - Fundo Especial de Investimento	Lisbon	46.10%	120,075	9,407	114,737	2,387
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	Lisbon	45.28%	247,652	4,906	250,013	6,060
Caixagest Infra-Estruturas - Fundo Especial de Investimento	Lisbon	27.31%	86,912	4,297	83,778	4,099
Caixagest Oportunidades - Fundo Especial de Investimento	Lisbon	-	-	-	17,617	436
Beirafundo - Fundo de Investimento Imobiliário Fechado	Lisbon	95.88%	9,382	(1,480)	10,862	(6,504)
Cidades de Portugal - Fundo de Investimento fechado de Arrendamento Habitacional	Lisbon	100.00%	31,115	915	30,200	200
Caixa Reabilita - Fundo Especial de Investimento Imobiliário	Lisbon	100.00%	10,303	(23)	10,053	(8)
Fundolis - Fundo de Investimento Imobiliário Fechado	Lisbon	100.00%	62,821	(319)	63,139	(29,990)
Fundimo - Fundo de Investimento Imobiliário Aberto		48.85%	717,759	3,563	781,493	(2,408)
Fundiestamo - Fundo de Investimento Imobiliário Fechado		77.92%	147,315	2,247	145,068	1,314
Fundo Especial de Investimento Imobiliário Fechado - Iberia		100.00%	24,733	(3,428)	661	(7,189)
Fundo de Investimento Imobiliário Fechado Saudeinvest	Lisbon	-	-	-	93,071	(2,980)
Fundo de Investimento Imobiliário Fechado Bonança 1	Lisbon	-	-	-	14,617	(27)

(a) Equity includes net income for the year.
(b) Data taken from consolidated financial statements.

Information on the most relevant movements in the Group's subsidiaries for the first half ended 30 June 2014 and in 2013 is given below:

Mesquita ETVIA - Construção de Vias de Comunicação, S.A.(Mesquita ETVIA)

Pursuant to a resolution of its sole shareholder, *Fundo de Capital de Risco - Grupo CGD* of 28 March 2013 and with no prospects of pursuing its objectives, the company initiated the necessary steps to formalise its dissolution and liquidation.

Mesquita ETVIA's investments portfolio had already been transferred to its sole shareholder at the end of 2012, in anticipation of the decision to shut down its operations. The general meeting approved the liquidation accounts as well as the distribution of its remaining net assets, in May 2013.

Credip - Instituição Financeira de Crédito, S.A. (Credip)

The report on the closure of the liquidation of Credip – Instituição Financeira de Crédito, S.A. with reference to 31 July 2013 was approved at a general meeting held on 16 September 2013. The company's net assets of €11,778 thousand, at the said date were distributed among its shareholders in proportion to their respective share capital (€9,422 thousand and €2,356 thousand, respectively). CGD's capital gains on the liquidation totalled €1,421 thousand.

Fundo de Capital de Risco Caixa Fundos

At 15 October 2013, the *Fundo de Desenvolvimento e Reorganização Empresarial, FCR*, which was set up on 16 August 2011, with a start-up capital of €100,000 thousand, comprising 100,000 investment units, incorporated *Fundo Mezzanine, FCR*, having, on the same date, changed its name to *Fundo Caixa Fundos, FCR*.

The Fund's capital, at 30 June 2014 and 31 December 2013, totalled €199,357 thousand, fully subscribed for by CGD, with an amount of €44,357 thousand comprising 335,600 investment units having been paid up.

The Fund's corporate object is to operate in the venture capital area based on its investments in investment funds, venture capital assets and companies with high growth and appreciation potential.

Fundo de Capital de Risco Caixa Crescimento

Fundo Caixa Crescimento, FCR was set up at 28 June 2013, with a start-up capital of €30,000 thousand, comprising 30,000 investment units with a nominal value of €1,000 each.

The Fund's corporate object is to operate in the venture capital area by investing in SMEs or midcaps headquartered in Portugal which require funding for their respective investment plans to strengthen their production capacity, expand into new markets, sustain their growth strategies or reinforce funding for their operating cycle's structuring needs.

Caixa Capital – Sociedade de Capital de Risco, S.A.'s proposal for a capital increase based on the issuance of 2,000 investment units with a nominal value of €1,000 each and fully subscribed for by Caixa was approved during the course of first half 2014.

An amount of €5,000 thousand of the Fund's total capital had been paid up, at 30 June 2014 and 31 December 2013.

Fundo Especial de Investimento Imobiliário Fechado Caixa Reabilita (Caixa Reabilita)

FEIIF - Caixa Reabilita was formed on 6 May 2013, with a start-up capital of €10,000 thousand, comprising 10,000 investment units with a nominal value of €1,000 each, fully subscribed for by Caixa.

The Fund's objective is to invest in investment units in property funds exposed to rehabilitation and urban revitalisation projects eligible for the Jessica initiative.

Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional Cidades de Portugal (Cidades de Portugal)

FIIFAH - Cidades de Portugal was formed on 6 May 2013, with a start-up capital of €30,000 thousand, comprising 30,000 investment units with a nominal value of €1,000, each, 70% subscribed for by Caixa and 30% by *FEIIF - Caixa Reabilita.*

The Fund's objective is to invest in property requiring urban rehabilitation for latter rental on a permanent basis.

Caixa Seguros e Saúde, SGPS, S.A. (Caixa Seguros e Saúde) and Fidelidade - Companhia de Seguros, S.A. (Fidelidade)

The following operations took place during the course of 2013, as part of the Group's reorganisation of its equity stakes in the insurance area:

. In July 2013, Caixa Seguros e Saúde, as Fidelidade's sole shareholder, approved a €223,850 thousand reduction of its share capital. As a result of the said operation the unit value of the company's shares was reduced from €5 to €3.15, albeit still comprising 121,000,000 shares;

. In September 2013, Caixa Seguros e Saúde's Executive Committee passed a resolution reducing its share capital by €339,968 thousand fully paid up in cash. The nominal unit value of the equity shares was reduced from €2 to €1.15. As a result of the said reduction Caixa Seguros e Saúde's share capital on the said date comprised 399,962,460 shares fully held by CGD for the amount of €459,957 thousand.

As explained in greater detail in Note 12, in the sphere of the privatisation process of Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A., and Multicare - Seguros de Saúde, S.A., the contracts for the sale of a majority investment to the bidder Fosun International Limited were entered into on 7 February 2014 and finalised in May 2014.

CGD – Subsidiária Offshore de Macau, S.A. and CGD - Sucursal Offshore de Macau, S.A.

During the course of 2012, owing to the reassessment of the configuration of CGD's presence in the Special Administrative Region of Macau in the form of CGD – Subsidiária Offshore de Macau, S.A. a resolution was taken to change the type of structure hitherto used, into that of a branch.

The request submitted to the Chief Executive of the Special Administrative Region of Macau to set up an offshore financial institution in the form of a branch was approved by the publication of Executive Order no. 7/2013 of 25 January which also revoked the former permit for the performance of offshore financial activities as a subsidiary.

The formalities required to set up a new branch and close down the subsidiary were implemented after the necessary administrative and legal approvals had been obtained.

At 1 February 2013 (the date upon which the Executive Order came into effect), CGD - Subsidiária Offshore de Macau, S.A. sold off its total assets and liabilities used on its commercial operations, including any kind of rights thereto and obligations thereon to its shareholder Caixa Geral de Depósitos, S.A., at their respective nominal value. These were, on the same date, transferred to the branch, which in furthering its objectives, is responsible for their respective management.

CGD – Subsidiária Offshore de Macau, S.A. was dissolved on 4 February 2013 and its respective liquidation subsequently formalised in May.

Garantia - Companhia de Seguros de Cabo Verde, S.A. (equity stake in Banco Comercial do Atlântico, S.A.)

During the course of 1st half 2014, following the disposal process on the Group's insurance operations, Caixa, Banco Interatlântico, S.A. and Banco Comercial do Atlântico, S.A. sold 111,789 equity shares comprising 55.90% of Garantia – Companhia de Seguros de Cabo Verde, S.A. for an amount of CVE 6,175 per share to Fidelidade – Companhia de Seguros, S.A. CGD also increased its stake in Banco Comercial do Atlântico, S.A. in the same period, having acquired 89,504 shares representing 6.76% of equity for the amount of CVE 3,504 per share from Garantia – Companhia de Seguros de Cabo Verde, S.A. The referred to restructuring of the composition of this investment, gave Caixa Group an effective investment of 57.91% in Banco Comercial do Atlântico, S.A., 70% in Banco Interatlântico, S.A. and an indirect equity stake of 25% in Garantia – Companhia de Seguros, S.A. through Banco Comercial do Atlântico, S.A.

Intermoney – Fundo de Titularização de Ativos

During the course of second half 2013, BCG's Board of Directors approved the advance liquidation of the corporate vehicle *Intermoney – Fundo de Titularização* with BCG having been reimbursed for the securities and loans made to the Fund. A new Securitisation Fund was set up in the same period, fully subscribed for by BCG, comprising a mortgage loans portfolio of €1,300,000 thousand, with the fund having issued €1,183,000 thousand in investment units and having received a loan of €117,000 thousand. These operations were performed under the measures included in the Restructuring Plan, enabling BCG to keep eligible assets for ECB funding.

4. CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

This account heading comprises the following:

	30-06-2014	31-12-2013
Cash	556,105	642,667
Demand deposits in central banks	610,336	902,609
	1,166,441	1,545,275
Interest on demand deposits in central banks	50	64
	1,166,491	1,545,339

The objective of Caixa's sight deposits with the Bank of Portugal is to comply with the European Central Bank's System (ECBS's) minimum cash reserves requirements. Interest is paid on these deposits which comprise 1% of deposits and debt securities with maturities of up to two years, except for the deposits and debt securities of institutions subject to the ECBS's minimum cash reserve requirements.

The funds deposited at central banks by Caixa and Group banks at 30 June 2014 and 31 December 2013, complied with the minimum limits defined by the regulations in force in the countries in which they operate.

5. CLAIMS ON OTHER CREDIT INSTITUTIONS

This account heading comprises the following:

	30-06-2014	31-12-2013
Cheques for collection		
- Portugal	76,072	62,154
- Abroad	32,163	48,859
	108,234	111,013
Demand deposits		
- Portugal	127,744	136,523
- Abroad	658,973	784,801
	786,717	921,324
Accrued interest	1,738	4,168
	896,690	1,036,504

Cheques pending settlement comprise the cheques of customers of other banks sent for clearing. These amounts are collected in the first few days of the subsequent period.

6. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This account heading comprises the following:

	30-06-2014	31-12-2013
Interbank money market	20,000	20,000
Term deposits		
- Portugal	394,535	34,426
- Abroad	859,402	160,046
Loans		
- Portugal	55,000	55,073
- Abroad	321,196	106,066
Other applications		
- Portugal	30,937	84,628
- Abroad	1,030,552	1,112,231
Purchase operations with resale agreement	148,321	205,806
Overdue loans and interest	7,139	7,156
	2,867,082	1,785,432
Adjustments to assets under hedging operations	161	203
Accrued interest	1,899	1,516
Deferred income	(2,107)	(352)
	2,867,035	1,786,798
Impairment (Note 35)	(13,477)	(11,996)
	2,853,558	1,774,802

As a result of the reorganisation process on the assets and liabilities structure of the former Banco Português de Negócios, S.A. (BPN), currently Banco BIC Português, S.A. (BIC), in the sphere of the said financial institution's reprivatisation (completed in first quarter 2012), Caixa entered a commercial paper programme with this entity with a limit of €400,000 thousand.

The referred to programme, unused at 30 June 2014 and 31 December 2013, benefits from a state-backed guarantee up to its maturity in March 2015. Caixa also issued a current account line of credit up to a limit of €300,000 thousand, maturing in March 2016 whose possibility of use is conditioned by the amount of the deposits made by former BPN's customers.

During the course of the disposal operation on the bank, ownership of the corporate vehicles Parvalorem, S.A., Parups, S.A. and Parparticipadas S.A. (holding a collection of assets transferred from BPN as a result of its post-privatisation restructuring process) and *ipso facto* the debts contracted for by these companies with Caixa Geral de Depósitos in the form of loans and advances to customers and bond issuances with a nominal value of €57,068 thousand (Note 11) and €2,920,000 thousand (Note 8), respectively (€128,946 thousand and €2,920,000 thousand at 30 June 2013), were transferred to the Portuguese state.

The state also assumed liabilities for the commercial paper programme subscribed for by Caixa for €1,000,000 thousand, owing to the transfer of the contractual position between BPN and Parvalorem (Note 11). Therefore, starting 30 March 2012, Parvalorem became the issuing entity of this commercial paper programme.

The corporate vehicles are repaying the debt to CGD under the terms agreed between the Portuguese state, European Central Bank, International Monetary Fund and European Union, within the framework of the current intervention programme. As provided for in the referred to repayment plan, any amounts received from the recovery of assets held by the corporate vehicles shall be set against these loan settlements.

At 30 June 2014 and 31 December 2013, the accumulated impairment balance on loans and advances to credit institutions included €11,875 thousand and €11,994 thousand, respectively, on exposures to banks headquartered in the Republic of Iceland.

At 30 June 2014 and 31 December 2013, the "Purchase operations with resale agreements" account heading referred to contracts for the acquisition of financial instruments with a resale agreement at a future date at a predefined price. The financial instruments acquired in these operations are not recognised in the balance sheet and their purchase prices continue to be recognised as a loan to credit institutions, measured at its respective amortised cost. The referred to operations were contracted for under Global Master Repurchase Agreements (GMRA) providing for mechanisms to strengthen the collateral associated with such transactions on the basis of the evolution of their respective market value which is assessed on the specifications agreed between the counterparties and usually in the form of surety deposits.

Information on impairment movements on investments in credit institutions, for the half years ended 30 June 2014 and 2013, is set out in Note 35.

7. FINANCIAL ASSETS HELD FOR TRADING AND OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These account headings comprise the following:

	30-06-2014			31-12-2013		
	Held for trading	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total
Debt instruments						
- Public issuers:						
. Public debt securities	74,359	-	74,359	91,510	-	91,510
. Bonds of other public						
issuers:						
Foreign	343,447	-	343,447	347,698	26,419	374,117
- Other issuers:						
. Bonds and other securities:						
Issued by residents	7,362	4,968	12,330	1,069	22,989	24,058
Issued by non-residents	25,199	50	25,249	4,475	8,190	12,665
	450,368	5,018	455,385	444,752	57,597	502,349
Equity instruments						
Residents	9,767	113,204	122,971	11,200	110,292	121,492
Non-residents	49,966	34,237	84,202	20,260	37,057	57,317
	59,733	147,441	207,174	31,460	147,349	178,809
Other financial instruments						
- Trust fund units						
Residents	-	195,225	195,225	1,869	118,616	120,485
Non-residents	-	468,149	468,149	-	505,442	505,442
- Other						
Non-residents	101	-	101	158	-	158
	101	663,374	663,475	2,027	624,058	626,085
Loans and receivables	-	94	94	-	173	173
Derivatives with positive fair value (Note 10)						
- Swaps	1,239,911	-	1,239,911	1,062,619	-	1,062,619
- Futures and other forward operations	11,238	-	11,238	1,103	-	1,103
- Options - shares and currency	226,608	-	226,608	295,225	-	295,225
- Caps and floors	131,428	-	131,428	117,328	-	117,328
- Other	839	-	839	2,173	-	2,173
	1,610,023	-	1,610,023	1,478,449	-	1,478,449
	2,120,224	815,927	2,936,151	1,956,688	829,176	2,785,864

Financial assets held for trading and other financial assets at fair value through profit or loss at 30 June 2014, included investment units in unit trust and property investment funds managed by Group entities, for the amounts of €109,543 thousand and €29,389 thousand, respectively (€73,848 thousand and €12,227 thousand, respectively, at 31 December 2013).

The "Financial assets held for trading – debt instruments" account heading at 30 June 2014 and 31 December 2013 included securities allocated to the issuance of covered bonds with a book value of €130,850 thousand and €124,380 thousand, respectively (Note 20).

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account heading comprises the following:

	30-06-2014	31-12-2013
Debt instruments		
- Public debt	8,828,316	8,876,310
- Other public issuers	1,098,535	935,174
- International financial organisations	-	-
- Other issuers	4,663,907	4,516,497
	14,590,758	14,327,981
Equity instruments		
- Measured at fair value	228,081	267,357
- Measured at historical cost	186,720	185,130
	414,801	452,487
Other instruments	1,103,155	1,006,862
	16,108,714	15,787,330
Impairment (Note 35)		
- Equity instruments	(90,304)	(89,968)
- Debt instruments	(840)	(835)
- Other instruments	(169,845)	(153,081)
	(260,989)	(243,884)
	15,847,725	15,543,446

The "Debt instruments – other issuers" account heading at 30 June 2014 and 31 December 2013, included €3,176,599 thousand and €2,870,981 thousand respectively, for bonds issued by Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. as part of the liquidity re-organisation support operations for BPN (Note 6). These bonds are backed by a Portuguese state guarantee.

At 30 June 2014, "Other instruments" and "Impairment - other instruments" included €650,839 thousand and €87,934 thousand (€592,565 thousand and €78,387 thousand respectively at 31 December 2013) on subscriptions for investments in corporate vehicles set up in the sphere of assignments of financial assets (loans and advances to customers). Following the transfer of the referred to assets (to the company itself or other companies held by the corporate vehicle in which the Group has a stake), the latter were derecognised from the balance sheet, as it was considered that the respective IAS 39 requirements, i.e. the transfer of a substantial part of the risks and benefits associated with credit operations and their respective control had been met. The corporate vehicles in which the Group has a non-controlling interest continue to be autonomous in terms of management. To ensure the neutrality of operations, at the time of performance, impairment on the investments in the corporate vehicles and equivalent to the amounts of loss forecasts was set up. This impairment was reversed as part of the assets' balance sheet derecognition process. Following their initial recognition, these positions reflect the revaluation of the companies' assets. Group exposure at 30 June 2014 and 31 December 2013 was as follows:

	30-06-2014			
	Securities acquiried on asset transfer operations			
	Value before impairment	Accumulated impairment	Net	Fair value reserve
Fundo Recuperação, FCR	180,000	(28,377)	151,623	-
Flit-Ptrel SICAV	114,527	(12,590)	101,937	7,181
Discovery Portugal Real Estate Fund	100,003	(20,812)	79,191	18,881
OXI Capital, SCR	70,153	(3,309)	66,844	2,189
Vallis Construction Sector	72,696	(9,248)	63,447	9,540
Fundo Imobiliário Aquarius	49,989	-	49,989	-
Fundo Recuperação Turismo, FCR	57,136	(13,597)	43,539	11,370
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	6,334	-	6,334	(49)
	650,839	(87,934)	562,905	49,113

	31-12-2013			
	Securities acquiried on asset transfer operations			
	Value before impairment	Accumulated impairment	Net	Fair value reserve
Fundo Recuperação, FCR	180,000	(27,664)	152,336	-
Flit-Ptrel SICAV	115,121	(12,590)	102,531	7,774
Discovery Portugal Real Estate Fund	92,997	(15,288)	77,709	12,811
OXI Capital, SCR	66,970	-	66,970	(994)
Vallis Construction Sector	73,644	(9,248)	64,396	9,367
Fundo Recuperação Turismo, FCR	57,484	(13,597)	43,887	11,718
Nexponor - Sociedade Especial de Investimento Imobiliário de Capital Fixo - SICAFI	6,350	-	6,350	(33)
	592,565	(78,387)	514,178	40,643

Complementary to the equity stakes in these corporate vehicles, in the case of certain operations Caixa also made shareholders' loans and accessory capital payments, recognised in "Other assets", with a balance sheet carrying amount at 30 June 2014 and 31 December 2013 of €49,134 thousand and €48,582 thousand, respectively, fully impaired.

At 30 June 2014 the amount of impairment on "Other instruments" included €3,733 thousand, on property investment funds managed by Group companies with an extended, significant decline in market value at below cost.

Net balance sheet impairment on investment units in unit trust and property investment funds managed by Group entities and recognised in the available-for-sale financial assets portfolio at 30 June 2014, totalled €35,100 thousand and €26,267 thousand, respectively (€35,967 thousand and €26,777 thousand, respectively, at 31 December 2013).

At 30 June 2014 and 31 December 2013, equity instruments included the following investments:

	30-06-2014						
	Banking	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net amounts	Fair value reserve	Effective participating interest (%)
Measured at fair value							
SICAR NovEnergia II	-	58,897	58,897	-	58,897	16,474	15.49
Finpro, SGPS, S.A.	-	16,419	16,419	-	16,419	(7,399)	17.17
Galp Energia, SGPS, S.A.	14,257	-	14,257	-	14,257	1,681	0.07
La Seda Barcelona, S.A.	52,878	-	52,878	(52,878)	-	-	14.24
A.Silva & Silva - Imobiliário e Serviços, S.A.	-	21,300	21,300	(21,300)	-	-	19.64
Foreign entities' shares	5,158	-	5,158	-	5,158	570	
Other instruments with characteristics of equity	5	-	5	-	5	3	
Other	29,205	29,963	59,168	(7,657)	51,511	6,878	
	101,503	126,578	228,081	(81,834)	146,247	18,208	
Measured at historical cost							
Águas de Portugal, S.A.	153,003	-	153,003	-	153,003	-	9.69
VAA - Vista Alegre Atlantis, S.A.	4,058	-	4,058	(1,178)	2,880	-	4.48
Other	29,613	46	29,659	(7,291)	22,368	-	
	186,674	46	186,720	(8,469)	178,251	-	
	288,177	126,624	414,801	(90,304)	324,498	18,208	

	31-12-2013							
	Banking	Insurance	Investment banking and venture capital	Value before impairment	Accumulated impairment	Net amounts	Fair value reserve	Effective participating interest (%)
Measured at fair value								
SICAR NovEnergia II	-	-	56,615	56,615	-	56,615	14,193	15.49
Galp Energia, SGPS, S.A.	28,683	-	-	28,683	(31)	28,652	267	0.15
Finpro, SGPS, S.A.	-	-	18,868	18,868	-	18,868	(4,950)	17.16
Redes Energéticas Nacionais, SGPS, S.A.	15,537	-	-	15,537	-	15,537	4,342	1.10
EDP Renováveis, S.A.	10	-	-	10	(4)	6	2	0.00
La Seda Barcelona, S.A.	52,878	-	-	52,878	(52,878)	-	-	14.24
A.Silva & Silva - Imobiliário e Serviços, S.A.	-	-	21,300	21,300	(21,300)	-	-	19.63
Foreign entities' shares	6,341	261	16,740	23,341	(1,815)	21,526	4,694	
Other instruments with characteristics of equity	3	-	-	3	-	3	1	
Other	35,736	-	14,388	50,124	(5,725)	44,399	11,671	
	139,185	261	127,911	267,357	(81,753)	185,604	30,219	
Measured at historical cost								
Águas de Portugal, S.A.	153,003	-	-	153,003	-	153,003	-	9.69
VAA - Vista Alegre Atlantis, S.A.	4,058	-	-	4,058	(1,178)	2,880	-	4.48
Other	27,870	-	199	28,069	(7,037)	21,032	-	
	184,931	-	199	185,130	(8,215)	176,915	-	
	324,116	261	128,110	452,487	(89,968)	362,519	30,219	

The following criteria were used to prepare the above tables:

- At 31 December 2013, the "Insurance activity" column referred to securities held by Garantia;
- The "Investment banking and venture capital" column includes the securities held by Caixa - Banco de Investimento and the Group's venture capital area, including consolidated venture capital funds (Note 3);
- Securities held by other entities were allocated to "Banking activity".

Information on the amount of impairment on equity instruments recognised by the Group as a charge to profit and loss for the half year ended 30 June 2013 is set out below (Note 35):

	30-06-2013
Portugal Telecom, SGPS, S.A.	25,778
ENI S.p.A.	1,196
La Seda Barcelona, S.A.	985
Equity instruments - Insurance activity	4,056
Other	42
	32,057

At 30 June 2013, the balances set out in the above table included €5,561 thousand on impairment associated with the activity of Caixa Seguros e Saúde, reclassified to "Income from subsidiaries held for sale" (Note 12) in profit and loss.

The Group did not recognise impairment losses on equity instruments in first half 2014.

The fair value reserve for available-for-sale financial assets at 30 June 2014 and 31 December 2013, comprised the following:

	30-06-2014	31-12-2013
Fair value reserve (Note 26)		
(gross amount before non-controlling interests)		
Debt instruments	413,437	(63,807)
Equity instruments		
- Positive fair value	25,639	36,075
- Negative fair value		
. Unrealised loss lower than 20% of acquisition cost	(57)	(57)
. Unrealised loss between 20% and 30% of acquisition cost	-	(4,950)
. Unrealised loss between 30% and 40% of acquisition cost	(7,375)	(849)
	18,208	30,219
Other instruments	85,665	40,764
	517,310	7,176
Deferred tax reserve	(150,301)	2,486
	367,008	9,662
Balance attributable to non-controlling interests	(1,887)	(6,123)
	365,121	3,539

In the half year ended 30 June 2014 and in 2013, movements in the main equity instruments account heading recognised as "Available-for-sale financial assets" were as follows:

<u>REN - Redes Energéticas Nacionais, SGPS, S.A.</u>

In June 2014, as part of the Portuguese state shareholder's 2nd reprivatisation stage of REN, Caixa disposed of the full amount of its equity stake in the company for an amount of €15,725 thousand, having made capital gains of €6,933 thousand (Note 31).

Galp Energia, SGPS, S.A. (Galp)

In first half 2014 the Group sold 1,339,225 Galp Energia shares for a total amount of €17,712 thousand, having made capital gains of €1,903 thousand (Note 31).

In 2013, the Group disposed of 3,233,255 Galp Energia shares for a total amount of €40,889 thousand, having made capital gains of €2,729 thousand.

Portugal Telecom, S.A.

In October 2013, Caixa sold 54,771,741 Portugal Telecom shares for a total amount of €190,606 thousand, having made capital gains of €26,838 thousand.

Banco Comercial Português, S.A. (BCP)

In 2013, Caixa sold 179,380,009 BCP shares for a total amount of €19,022 thousand, having made capital gains of €7,541 thousand of which amount €5,201 thousand referred to disposals made in first half 2013 (Note 31).

EDP – Energias de Portugal, S.A. (EDP)

In January 2013, Caixa sold 800,000 EDP shares for a total amount of €1,882 thousand, having made capital gains of €390 thousand (Note 31).

Reclassification of securities

Caixa Geral de Depósitos

In 2008 and first half 2010, under the terms of the October 2008 amendments to IAS 39, as described in further detail in Note 2.7 and owing to the exceptional circumstances noted in the financial markets in the referred to periods, Caixa transferred a collection of securities from "Financial assets held for trading" to "Available-for-sale financial assets" categories.

Caixa's reclassifications, deriving from the instability and volatility in the financial markets, particularly in 2010, as regards the evolution of credit markets, strongly affected by the disturbances in the funding of eurozone countries' sovereign debt, changed Caixa's outlook on the sale of these assets which were no longer expected to be sold over the short term. The transfer of securities in first half 2010 essentially comprised sovereign debt instruments, securities issued by government agencies and other credit instruments issued by financial institutions directly affected by the turmoil in eurozone public debt markets.

Caixa also reclassified bonds from "Available-for-sale financial assets" to "Loans and advances to customers" in first half 2010.

The impact of the reclassification of those securities in profit and loss and fair value reserves was as follows:

Securities reclassified in 2008

	Financial assets at fair value as a charge to revaluation reserves	Financial assets at amortised cost
Book value at reclassification date	1,001,797	n.a
Book value at 31-12-2008	873,101	n.a
Book value at 31-12-2009	560,350	n.a
Book value at 31-12-2010	336,275	n.a
Book value at 31-12-2011	261,035	n.a
Book value at 31-12-2012	156,972	n.a
Book value at 31-12-2013	138,888	n.a
Book value at 30-06-2014	154,507	n.a
Fair value of securities reclassified at 30-06-2014	154,507	n.a
Fair value reserve of securities reclassified at 30-06-2014	9,505	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2008 and 31-12-2009		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	6,315	n.a
Impairment for the period	(6,673)	n.a
Other gains and losses recognised as a charge to net income	(60,758)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2009 and 31-12-2010		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	57,186	n.a
Impairment for the period	(52,234)	n.a
Other gains and losses recognised as a charge to net income	(2,247)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2010 and 31-12-2011		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(17,620)	n.a
Other gains and losses recognised as a charge to net income	(487)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2011 and 31-12-2012		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	14,112	n.a
Impairment for the period	(3,210)	n.a
Other gains and losses recognised as a charge to net income	7,457	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2012 and 31-12-2013		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	5,907	n.a
Impairment for the period	(3,580)	n.a
Other gains and losses recognised as a charge to net income	(671)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2013 and 30-06-2014		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	17,876	n.a

Securities reclassified in 2010

	Financial assets at fair value as a charge to revaluation reserves	Financial assets at amortised cost
Book value at reclassification date	1,414,007	503,466
Book value at 31-12-2010	1,039,972	504,393
Book value at 31-12-2011	483,799	495,037
Book value at 31-12-2012	342,668	477,515
Book value at 31-12-2013	170,473	444,652
Book value at 30-06-2014	39,713	387,492
Fair value of securities reclassified at 30-06-2014	39,713	380,825
Fair value reserve of securities reclassified at 30-06-2014	1,356	n.a
Gains / (losses) associated with the change in securities fair value between reclassification date and 31-12-2010		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(36,589)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2010 and 31-12-2011		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	(47,894)	n.a
Other gains and losses recognised as a charge to net income	(1,234)	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2011 and 31-12-2012		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	70,581	n.a
Other gains and losses recognised as a charge to net income	604	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2012 and 31-12-2013		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	7,898	n.a
Other gains and losses recognised as a charge to net income	2,564	n.a
Gains / (losses) associated with the change of the fair value of securities between 31-12-2013 and 30-06-2014		
Unrealised capital gains/ (losses) recognised as a charge to fair value reserves	7,360	n.a
Other gains and losses recognised as a charge to net income	7,750	n.a

The amounts do not include the fiscal effect.

"Gains/(losses) recognised as a charge in profit and loss include the proceeds from the disposal of securities after the reclassification date and foreign exchange revaluations and exclude income and charges on interest and commissions.

9. FINANCIAL ASSETS WITH REPURCHASE AGREEMENTS

Information on financial assets with repurchase agreements at 30 June 2014 and 31 December 2013, is set out below:

	30-06-2014	31-12-2013
At fair value through revaluation reserves		
Debt instruments		
- From public issuers:		
. Debt securities	-	15,266
	-	15,266
At fair value through revaluation reserves		
Debt instruments		
- From public issuers:		
. Debt securities	74,874	180,867
- From other issuers:		
. Bonds and other securities:		
Residents	130,808	-
Non-residents	466,763	509,503
	672,445	690,370
At fair value through revaluation reserves		
Debt instruments		
Residents	693,768	-
	693,768	-
	1,366,212	705,636

The Group entered into financial assets sale operations with purchase agreements at a future date at a predefined price with financial institutions and customers for the half year ended 30 June 2014 and in 2013.

Financial instruments ceded in sales operations with repurchase agreements are not derecognised in the balance sheet and continue to be measured in accordance with the accounting policies applicable to the underlying assets. The difference between their sales and repurchase values is recognised as interest income and deferred over the period of the contract.

Liabilities on the repurchase agreement are recognised as a liability in "Resources of other credit institutions – Sale operations with repurchase agreements" (Note 18) and "Customer resources and other loans – Other resources – Operations with repurchase agreements" (Note 19).

10. DERIVATIVES

The Group performs derivative operations as part of its activity to meet the needs of its customers and reduce its exposure to foreign exchange, interest rate and price fluctuations.

The Group controls the risk of its derivatives activities on the basis of operations approval procedures, a definition of exposure limits per product and customer and its daily monitoring of the respective results.

At 30 June 2014 and 31 December 2013, these operations were valued in accordance with the criteria described in Note 2.7. c). Information on the operations' notional and book values at the said dates is given below:

	30-06-2014							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading (Note 7)	Liabilities held for trading	Hedging derivatives Assets	Hedging derivatives Liabilities	Total
Forward foreign exchange transactions								
Foreign exchange				208	(3,204)	-	-	(2,996)
Purchase	875,163	-	875,163					
Sale	886,924	-	886,924					
NDF's (Non Deliverable Forward)				1,458	(336)	-	-	1,122
Purchase	73,625	-	73,625					
Sale	147,790	-	147,790					
FRA (forward rate agreements)	25,000	-	25,000	127	-	-	-	127
Swaps								
Currency swaps				2,189	(4,960)	-	-	(2,771)
Purchase	1,386,935	-	1,386,935					
Sale	1,386,926	-	1,386,926					
Currency swaps				-	(16)	-	-	(16)
Purchase	513	-	513					
Sale	513	-	513					
Interest rate swaps and cross currency interest rate swaps				1,237,673	(1,393,695)	70,307	(26,706)	(112,421)
Purchase	49,560,080	467,763	50,027,843					
Sale	49,457,408	479,791	49,937,199					
Credit default swaps				48	(750)	-	-	(702)
Purchase	98,574	-	98,574					
Sale	61,608	-	61,608					
Futures								
Currency				-	-	-	-	-
Long positions	208,555	-	208,555					
Short positions	42,747	-	42,747					
Interest rate				-	-	-	-	-
Long positions	(64,342)	-	(64,342)					
Short positions	2,264,842	-	2,264,842					
Shares and indexes				127	(30)	-	-	97
Long positions	39,755	-	39,755					
Short positions	10,881	-	10,881					
Other				9,318	(402)	-	-	8,916
- Traded on behalf of customers								
Long positions	493,760	-	493,760					
Short positions	(230,039)	-	(230,039)					
Options								
Currency				1,515	(1,118)	-	-	397
Purchase	42,850	-	42,850					
Sale	40,151	-	40,151					
Shares and indexes				225,094	(234,581)	-	-	(9,487)
Purchase	874,574	-	874,574					
Sale	730,547	-	730,547					
Interest rates (Caps & Floors)				131,428	(134,491)	-	-	(3,064)
Purchase	2,568,682	-	2,568,682					
Sale	2,314,678	-	2,314,678					
Other	-	-	-	839	(4,027)	-	-	(3,188)
	113,298,700	947,554	114,246,254	1,610,023	(1,777,610)	70,307	(26,706)	(123,986)

	31-12-2013							
	Notional value			Book value				
	Trading derivatives	Hedging derivatives	Total	Assets held for trading (Note 7)	Liabilities held for trading	Hedging derivatives		Total
						Assets	Liabilities	
Forward foreign exchange transactions								
Foreign exchange				596	(6,402)	-	-	(5,806)
Purchase	1,354,573	-	1,354,573					
Sale	1,354,190	-	1,354,190					
NDF's (Non Deliverable Forward)				-	(280)	-	-	(280)
Sale	74,323	-	74,323					
FRA (forward rate agreements)	35,000	-	35,000	110	-	-	-	110
Swaps								
Currency swaps				3,645	(33,482)	-	-	(29,837)
Purchase	3,319,291	-	3,319,291					
Sale	3,349,480	-	3,349,480					
Interest rate swaps and cross currency interest rate swaps				1,058,058	(1,172,340)	45,458	(65,110)	(133,934)
Purchase	56,287,433	658,922	56,946,355					
Sale	56,295,127	675,844	56,970,971					
Credit default swaps				915	(2,406)	-	-	(1,491)
Purchase	108,009	-	108,009					
Sale	79,383	-	79,383					
Futures								
Currency				-	-	-	-	-
Long positions	24,405	-	24,405					
Short positions	137,585	-	137,585					
Interest rate				-	-	-	-	-
Long positions	(104,100)	-	(104,100)					
Short positions	1,085,123	-	1,085,123					
Shares and indexes				398	(77)	-	-	321
Long positions	11,875	-	11,875					
Short positions	9,817	-	9,817					
Other				-	-	-	-	-
- Traded on behalf of customers								
Long positions	(35,559)	-	(35,559)					
Short positions	340,171	-	340,171					
Options								
Currency				1,213	(622)	-	-	591
Purchase	97,423	-	97,423					
Sale	95,193	-	95,193					
Shares and indexes				294,012	(302,026)	-	-	(8,014)
Purchase	1,262,504	-	1,262,504					
Sale	1,201,370	-	1,201,370					
Interest rates (Caps & Floors)				117,328	(123,537)	-	-	(6,209)
Purchase	2,124,589	-	2,124,589					
Sale	2,378,408	-	2,378,408					
Other	-	-	-	2,173	(3,660)			(1,487)
	130,885,613	1,334,766	132,220,379	1,478,449	(1,644,832)	45,458	(65,110)	(186,036)

The "Liabilities held for trading" account heading, at 30 June 2014 and 31 December 2013, also included €1,034 thousand in liabilities deriving from loan operations on Group portfolio equity instruments, which were settled in the first few days of July 2014.

Derivatives recognised in "Assets held for trading", "Liabilities held for trading", "Hedge derivatives - assets" and "Hedge derivatives - liabilities" at 30 June 2014 and 31 December 2013, included operations collateralised by surety accounts with the aim of ensuring the fair value of lending and borrowing exposures between Caixa and various financial institutions. The balances deposited by the referred to financial institutions with Caixa and by Caixa with the said financial institutions on the said dates were recognised in "Other liabilities - resources - surety account" (Note 24) and "Other assets - debtors and other assets - other debtors" accounts (Note 17), respectively.

11. LOANS AND ADVANCES TO CUSTOMERS

This account heading comprises the following:

	30-06-2014	31-12-2013
Domestic and foreign loans		
Loans	50,622,985	52,100,442
Current account loans	3,245,892	3,350,370
Other loans	5,674,563	5,751,772
Other loans and amounts receivable - securitised		
. Commercial Paper	2,385,138	3,304,590
. Other	1,734,381	1,697,608
Property leasing operations	1,263,088	1,386,829
Discounts and other loans secured by bills	469,804	458,554
Equipment leasing operations	696,898	740,820
Factoring	251,644	260,382
Overdrafts	327,538	340,798
	66,671,931	69,392,165
Adjustment to assets under hedging operations	659	832
Accrued interest	223,059	247,279
Deferred income, commissions and other cost and income associated with amortised cost	(63,097)	(68,232)
	66,832,551	69,572,043
Overdue loans and interest	5,533,756	4,957,878
	72,366,308	74,529,922
Impairment (Note 35)	(4,888,962)	(4,512,411)
	67,477,346	70,017,511

"Domestic credit – Other loans" at 30 June 2014 and 31 December 2013 included €74,477 thousand and €78,467 thousand, respectively, relating to mortgage and personal loans issued by CGD to its employees.

The "Loans" account heading at 30 June 2014 and 31 December 2013 included €57,068 thousand and €128,946 thousand, respectively, for loans issued by Caixa to Parvalorem, S.A., Parups, S.A. and Parparticipadas, S.A. (Notes 6 and 8). These loans are collateralised by pledges and mortgages on the referred to corporate vehicles' assets. Following the completion of the then BPN's reprivatisation process, in March 2012, the ownership of these companies was transferred to the Portuguese state.

The state also assumed liabilities for the commercial paper programme subscribed for by Caixa with BPN for the amount of €1 billion, at the said date, through the transfer of the contractual position between the Bank and Parvalorem (Note 6). At 30 June 2014 and 31 December 2013, this operation was recognised In "Other loans and amounts receivable – securitised – commercial paper" account heading.

The "Loans" account heading, at 30 June 2014 and 31 December 2013, included mortgage loans issued by Caixa in the sphere of securitisation operations. Information on these loan movements, for the half year ended 30 June 2014, is set out in the following table:

	Nostrum Mortgages nº1	Nostrum Mortgages nº2	Total
Balances at 31-12-2013	350,926	4,705,788	5,056,714
Sale of new loans	217	7,479	7,696
Payments	(17,598)	(79,136)	(96,734)
Repurchase	(217)	(7,541)	(7,758)
Other	-	(16,589)	(16,589)
Balances at 30-06-2014	333,328	4,610,001	4,943,329

These loans comprise collateral for the liabilities issued by SPVs under the scope of such operations, which, in the case of the Nostrum Mortgage no. 1 operation, at 30 June 2014 and 31 December 2013, totalled €146,560 thousand and €223,118 thousand, respectively (Note 20). These balances do not include liabilities associated with the Nostrum Mortgages no. 2 operation, which are fully held by the Group and therefore eliminated when preparing the consolidated financial statements.

The "Loans" account heading, at 30 June 2014 and 31 December 2013, included mortgage loans allocated to the issuance of covered bonds with a book value of €9,500,876 thousand and €9,945,587 thousand, respectively, in addition to credit allocated to the issuance of bonds on the public sector with a book value of €1,135,915 thousand and €1,215,109 thousand, respectively (Note 20).

The assets pool collateralising the referred to issuances, at 30 June 2014 and 31 December 2013 also included debt securities with a book value of €130,850 thousand and €124,380 thousand, respectively (Note 7).

Information on the seniority of "Overdue loans and interest" at 30 June 2014 and 31 December 2013, is set out below

	30-06-2014	31-12-2013
Up to three months	469,007	439,926
Three to six months	395,664	226,656
Six months to one year	438,239	476,465
One to three years	1,864,703	1,965,719
Over three years	2,366,143	1,849,113
	5,533,756	4,957,878

Loans and advances to customers, at 30 June 2014 and 31 December 2013, excluding adjustments to the value of hedge assets, by operating sector, is set out below:

	30-06-2014								
	Central and local government			Companies and individuals			Total		
	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total
Companies									
Agriculture, cattle breeding, hunting and forestry	37	-	37	403,453	48,067	451,520	403,490	48,067	451,558
Mining industries	-	-	-	165,305	7,739	173,045	165,305	7,739	173,045
Manufacturing industries									
Food, beverages and tobacco	189	-	189	761,151	59,111	820,262	761,340	59,111	820,451
Textiles	-	-	-	224,201	47,302	271,503	224,201	47,302	271,503
Leather and by-products	-	-	-	57,447	7,197	64,643	57,447	7,197	64,643
Wood and cork	-	-	-	134,163	26,381	160,545	134,163	26,381	160,545
Pulp, paper, printing and publishing	-	-	-	112,214	13,120	125,333	112,214	13,120	125,333
Coal, oil products and nuclear fuel	-	-	-	23,574	810	24,384	23,574	810	24,384
Chemical products and synthetic or artificial fibres	-	-	-	598,874	113,277	712,151	598,874	113,277	712,151
Rubber and plastic goods	-	-	-	105,528	17,127	122,655	105,528	17,127	122,655
Non-metallic mineral products	-	-	-	222,473	32,351	254,824	222,473	32,351	254,824
Basic metallurgy industries and metallic products	-	-	-	378,766	51,847	430,613	378,766	51,847	430,613
Machinery and equipment	-	-	-	87,024	5,394	92,418	87,024	5,394	92,418
Electrical and optical equipment	-	-	-	217,034	7,536	224,570	217,034	7,536	224,570
Transport equipment	394	-	394	98,486	4,963	103,449	98,880	4,963	103,844
Miscellaneous manufacturing industries	44,828	-	44,828	264,207	22,350	286,556	309,034	22,350	331,384
Electricity, water and gas	10,166	1,012	11,178	1,443,616	35,133	1,478,750	1,453,782	36,146	1,489,928
Building	36,566	623	37,189	4,007,087	1,335,583	5,342,671	4,043,653	1,336,207	5,379,860
Wholesale / retail trade and repair of cars, motorcycles and personal and domestic goods	28,456	-	28,456	2,583,205	432,122	3,015,327	2,611,661	432,122	3,043,783
Restaurants and hotels	153	-	153	1,076,458	116,232	1,192,690	1,076,611	116,232	1,192,843
Transports, warehousing and communications	92,413	-	92,413	2,272,241	160,859	2,433,100	2,364,655	160,859	2,525,514
Financial activities	56,220	-	56,220	5,676,426	284,238	5,960,664	5,732,645	284,238	6,016,884
Real estate activities	90,737	-	90,737	2,243,072	717,177	2,960,248	2,333,808	717,177	3,050,985
Other activities	1,047,851	151	1,048,003	1,853,480	150,158	2,003,638	2,901,331	150,309	3,051,640
Public administration, defence and mandatory social security contributions	2,599,502	32,023	2,631,525	249,330	306	249,637	2,848,832	32,329	2,881,161
Education	7,830	-	7,830	179,776	11,658	191,435	187,606	11,658	199,265
Healthcare and welfare	4,808	-	4,808	566,909	14,737	581,646	571,718	14,737	586,455
Other activities and social and personal services	105,741	526	106,267	1,532,861	247,860	1,780,721	1,638,602	248,386	1,886,988
Families with domestic employees	-	-	-	139	120	259	139	120	259
International entities and other institutions	9	-	9	232	28	260	241	28	269
	4,125,900	34,335	4,160,236	27,538,732	3,970,785	31,509,518	31,664,632	4,005,121	35,669,753
Individuals									
Housing	-	-	-	33,342,642	1,356,813	34,699,455	33,342,642	1,356,813	34,699,455
Other	-	-	-	1,824,618	171,822	1,996,441	1,824,618	171,822	1,996,441
	-	-	-	35,167,260	1,528,635	36,695,896	35,167,260	1,528,635	36,695,896
	4,125,900	34,335	4,160,236	62,705,993	5,499,421	68,205,413	66,831,893	5,533,756	72,365,649

	31-12-2013								
	Central and local government			Companies and individuals			Total		
	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total	Loans not due	Overdue loans	Total
Companies									
Agriculture, cattle breeding, hunting and forestry	-	-	-	423,965	31,390	455,355	423,965	31,390	455,355
Mining industries	-	-	-	163,654	12,522	176,176	163,654	12,522	176,176
Manufacturing industries									
Food, beverages and tobacco	559	-	559	809,675	49,711	859,386	810,233	49,711	859,945
Textiles	-	-	-	259,356	48,695	308,051	259,356	48,695	308,051
Leather and by-products	-	-	-	56,016	5,705	61,721	56,016	5,705	61,721
Wood and cork	-	-	-	159,675	23,523	183,197	159,675	23,523	183,197
Pulp, paper, printing and publishing	-	-	-	200,204	11,670	211,874	200,204	11,670	211,874
Coal, oil products and nuclear fuel	-	-	-	25,879	1,551	27,429	25,879	1,551	27,429
Chemical products and synthetic or artificial fibres	-	-	-	624,651	84,235	708,887	624,651	84,235	708,887
Rubber and plastic goods	-	-	-	113,084	12,717	125,801	113,084	12,717	125,801
Non-metallic mineral products	-	-	-	249,420	29,478	278,899	249,420	29,478	278,899
Basic metallurgy industries and metallic products	-	-	-	371,910	48,455	420,365	371,910	48,455	420,365
Machinery and equipment	-	-	-	86,869	5,433	92,302	86,869	5,433	92,302
Electrical and optical equipment	-	-	-	217,426	4,522	221,948	217,426	4,522	221,948
Transport equipment	441	-	441	68,731	4,789	73,520	69,172	4,789	73,961
Miscellaneous manufacturing industries	-	-	-	308,627	20,551	329,178	308,627	20,551	329,178
Electricity, water and gas	12,669	1,070	13,740	1,550,386	95,073	1,645,459	1,563,055	96,143	1,659,199
Building	21,890	456	22,347	4,127,743	1,321,302	5,449,045	4,149,633	1,321,758	5,471,391
Wholesale / retail trade and repair of cars, motorcycles and personal and domestic goods	38	-	38	2,570,133	363,315	2,933,448	2,570,171	363,315	2,933,486
Restaurants and hotels	174	-	174	1,090,811	100,550	1,191,361	1,090,985	100,550	1,191,535
Transports, warehousing and communications	86,013	-	86,013	2,295,668	132,947	2,428,615	2,381,681	132,947	2,514,628
Financial activities	57,082	-	57,082	7,192,647	219,797	7,412,444	7,249,729	219,797	7,469,527
Real estate activities	10,151	-	10,151	2,546,600	584,531	3,131,131	2,556,752	584,531	3,141,282
Other activities	1,123,120	100	1,123,220	2,022,522	120,018	2,142,541	3,145,642	120,119	3,265,760
Public administration, defence and mandatory social security contributions	2,617,950	35,507	2,653,457	219,945	298	220,243	2,837,895	35,804	2,873,699
Education	3,768	-	3,768	199,867	4,779	204,646	203,635	4,779	208,414
Healthcare and welfare	2,118	1	2,119	587,430	11,493	598,923	589,548	11,494	601,042
Other activities and social and personal services	21,263	128	21,391	1,528,685	225,883	1,754,568	1,549,948	226,011	1,775,959
Families with domestic employees	-	-	-	146	122	268	146	122	268
International entities and other institutions	17	-	17	9,232	45	9,277	9,249	45	9,294
	3,957,253	37,263	3,994,516	30,080,958	3,575,100	33,656,058	34,038,211	3,612,363	37,650,574
Individuals									
Housing	-	-	-	33,667,392	1,185,304	34,852,696	33,667,392	1,185,304	34,852,696
Other	-	-	-	1,865,609	160,211	2,025,820	1,865,609	160,211	2,025,820
	-	-	-	35,533,000	1,345,515	36,878,515	35,533,000	1,345,515	36,878,515
	3,957,253	37,263	3,994,516	65,613,958	4,920,615	70,534,574	69,571,211	4,957,878	74,529,090

12. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

Information on the non-current assets and liabilities held-for-sale balances account heading, at 30 June 2014 and 31 December 2013, is set out below:

	30-06-2014	31-12-2013
ASSETS		
Property and equipment	1,079,325	993,712
Subsidiaries		
Insurance companies held by Caixa Seguros e Saúde	-	12,785,337
	1,079,325	13,779,049
Impairment - property and equipment (Note 35)	(342,750)	(334,555)
	736,576	13,444,494
LIABILITIES		
Subsidiaries		
Insurance companies held by Caixa Seguros e Saúde	-	11,590,700
	-	11,590,700

The contracts for the disposal of a majority interest to the bidder Fosun International Limited were signed on 7 February 2014 in the sphere of the privatisation process of Caixa Geral de Depósitos's insurance companies Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A., and Multicare – Seguros de Saúde, S.A. The operation was contingent upon decisions of non-opposition to be issued by the competent authorities i.e. *Instituto de Seguros de Portugal* (Portuguese Insurance Institute), which, on 17 April 2014, decided not to oppose the transaction. The agreement, finalised in May 2014, transferred equity shares and voting rights to 80% of Fidelidade – Companhia de Seguros, S.A. 80% of Cares – Companhia de Seguros, S.A. and 80% of Multicare – Seguros de Saúde, S.A. for a total amount of approximately €1,038,000 thousand.

The Group made capital gains of €234,878 thousand on this operation, including €73,034 thousand on the reclassification of positive fair value reserves (net of deferred tax) associated with the securities portfolios of the insurance companies classified in the "Financial assets available-for-sale" and "Held to maturity investments" categories to results, as required by IFRS 10 the treatment up for other comprehensive income amounts on disposals of equity stakes entailing a loss of control.

Also pursuant to the terms of the conditions agreed for the transaction, the amount of the stake in the equity capital of Fidelidade – Companhia de Seguros, S.A. to be sold to Fosun International Limited may also increase to a maximum of 85%, considering the results of the public offering on 5% of the share capital and voting rights in the company for the workers of the insurance companies. At 30 June 2014, the equity stakes retained by the Group in Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A., and Multicare – Seguros de Saúde, S.A., were classified as investments in associates (Note 14).

In conformity with the dispositions of IFRS 5, at 31 December 2013, the business units' assets and liabilities were aggregated and recognised in "Non-current assets held for sale – subsidiaries accounts".

In 2013 the Group completed the sale of HPP – Hospitais Privados de Portugal, SGPS, S.A (HPP), to the Brazilian healthcare Group Amil, following the completion of the administrative requirements and the obtaining of the regulatory permits required by the operation. Total capital gains of around €36,448 thousand were made on this transaction.

The income generated by held for sale business units, for the half year ended 30 June 2014 and in 2013 are itemised in the consolidated income statement as "Results of subsidiaries held for sale", as set out below:

	30-06-2014	30-06-2013
Results of subsidiaries held for sale		
Insurance companies owned by Caixa Seguros e Saúde [*]	287,254	40,071
HPP - Hospitais Privados de Portugal	-	36,448
	287,254	76,519

[*] which:	
appropriated untill the date of loss of control	52,375
gain on the disposal	234,878
	287,254

The principal financial data of the insurance companies owned by Caixa Seguros e Saúde, at 31 December 2013, are set out below:

Insurance companies held by Caixa Seguros e Saúde

At 31 December 2013 the book value of the main assets and liabilities categories of the insurance companies held by Caixa Seguros e Saúde involved in a privatisation process were as follows:

ASSETS	31-12-2013
Advances and cash balances at other credit institutions	1,442,675
Financial assets at fair value through profit or loss	44,346
Available-for-sale financial assets	6,127,580
Unit-linked investments	988,153
Held-to-maturity investments	2,778,624
Investment property	433,267
Other tangible assets	120,869
Intangible assets	170,834
Current tax assets	71,758
Deferred tax assets	187,723
Technical provisions for outwards reinsurance (note 16)	180,660
Other assets	238,847
TOTAL ASSETS	12,785,337
LIABILITIES AND EQUITY	
Resources of credit institutions	30,500
Customer resources	6,038,457
Liability of unit-linked products	988,154
Financial liabilities at fair value through profit or loss	4,406
Provisions for employee benefits	25,268
Provisions for other risks	79,295
Technical provisions for insurance contracts (Note 22)	4,055,046
Current tax liabilities	68,644
Deferred tax liabilities	44,348
Other liabilities	256,581
TOTAL LIABILITIES	11,590,700
TOTAL EQUITY, of which:	1,194,637
Reserves of revaluation	58,161
	12,785,337

The assets and liabilities balances set out in the above table include €1,793,078 thousand and €41,377 thousand, respectively on operations with other Group entities, not eliminated in the consolidation process. These balances exclude investment units in the portfolios of insurance companies involved in a sales process regarding investment funds in which Caixa Group has a majority investment for the amount of €142,439 thousand, included in the consolidated financial statements by the full consolidation method.

At 31 December 2013, the "Provisions for other risks" portfolio included a provision of €31,893 thousand for a restructuring programme comprising the negotiated dismissal of a series of employees prior to the standard retirement age in cases in which their dispensability was recognised by Fidelidade – Companhia de Seguros, S.A.. The plan will be implemented in 2014 and 2015 and will cover the employees with the below referred to status, provided that their exits do not imply a respective job replacement or, alternatively if no external hirings are required.

The plan comprises the following:

- In 2014: 153 dismissal -100 employees between the ages of 56 and 60 and 53 over the age of 60;

- In 2015: 110 dismissal - 75 employees between the ages of 56 and 60 and 35 employees over the age of 60.

The effective cost of the recent occurrence of negotiated dismissal plus an amount reflecting the additional expenses on the increase of the legal retirement age to 66 were taken into account when calculating the provision.

Information on "Financial assets at fair value through profit or loss", "Available-for-sale financial assets" and their associated revaluation reserves, at 31 December 2013, is detailed below:

	Financial assets at fair value through profit or loss	Available-for-sale financial assets					
		Book value			Fair value reserves (Note 26)		
		At fair value through revaluation reserve	Historical cost	Total	Gross value	Deferred tax	Total
Debt instruments							
- Portuguese debt instruments	-	1,453,034	-	1,453,034	25,658	1,887	27,545
- Other public entities							
Nonresidents	-	761,701	-	761,701	14,323	795	15,117
- Other entities							
Residents	1,382	887,550	-	887,550	4,672	538	5,210
Nonresidents	42,964	2,293,126	-	2,293,126	65,105	2,939	68,044
	44,346	5,395,411	-	5,395,411	109,758	6,159	115,916
Debt instruments impairment	-	(2,999)	-	(2,999)	-	-	-
	44,346	5,392,412	-	5,392,412	109,758	6,159	115,916
Equity instruments							
Residents	-	50,168	61	50,230	4,621	(201)	4,420
Nonresidents	-	458,892	-	458,892	55,449	(5,505)	49,944
	-	509,061	61	509,122	60,070	(5,706)	54,364
Equity instruments impairment	-	(87,619)	-	(87,619)	-	-	-
	-	421,442	61	421,503	60,070	(5,706)	54,364
Other instruments							
Residents	-	356,158	-	356,158	38,962	(4,424)	34,538
	-	356,158	-	356,158	38,962	(4,424)	34,538
Other instruments impairment	-	(42,494)	-	(42,494)	-	-	-
	-	313,665	-	313,665	38,962	(4,424)	34,538
	44,346	6,127,518	61	6,127,580	208,790	(3,972)	204,819

As stated in notes 2.7. a) and 2.9, the financial assets headings classified as "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets" (excluding, in this latter case, unlisted equity instruments whose value cannot be reliably measured) and property classified as investment property, have been recognised at their fair value, assessed on the financial statements' reference date. The form of assessing the fair value of these assets, at 31 December 2013, is detailed below:

	31-12-2013				
	Measurement techniques				
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	Historical cost	Total
Securities at fair value through profit or loss	-	44,346	-	-	44,346
Available-for-sale financial assets	588,985	4,710,967	337,404	490,224	6,127,580
	588,985	4,755,312	337,404	490,224	6,171,926
Non-financial assetes					
Investment property	-	-	433,267	-	433,267
	588,985	4,755,312	770,671		6,605,193

The above table, as specifically regards financial instruments, was prepared on the basis of the following criteria:

- Level 1 – Financial instruments measured on the basis of active market prices to which the companies have access. This category includes securities measured on the basis of executable prices (immediate liquidity), published by external sources;

- Level 2 – Financial instruments measured by directly or indirectly observable data, in active markets. This category includes securities measured by bids supplied by external counterparties and internal and external measurement techniques exclusively using observable market data;

- Level 3 – All financial instruments at fair value not classifiable at levels 1 and 2.

The "Valuation techniques – historical costs" column in the chart includes €488,958 thousand in securities issued by the Group and recognised in the companies' portfolios, which were not eliminated in the consolidation process and continue to be recognised at their respective amortised cost.

Information on movements in financial instruments classified in the "Valuation techniques – other valuation techniques" column, in 2013, is set out below:

	Changes in financial instruments classified in level 3 of the fair value hierarchy		
	Available-for-sale financial assets		Total
	Equity instruments	Debt instruments	
Book value (net) at 31-12-2012	3,596	-	3,596
Acquisitions	5,603	113,442	119,045
Sales	(172)	(3,490)	(3,662)
Transfers from / (to) other levels (Levels 1 and 2)	158,147	77,749	235,896
Gains / (losses) recognised as a charge to results - alienated instruments	(181)	-	(181)
Gains / (losses) recognised as a charge to results - portfolio instruments	-	4,039	4,039
Impairment for the year	(21,571)	1	(21,570)
Gains / (losses) recognised as a charge to fair value reserves	(532)	773	241
Book value (net) at 31-12-2013	144,889	192,515	337,404

As regards investment properties, valuations of land and buildings aim to obtain a presumed market value for the transaction which is normally the market price (fair value) i.e. the price at which the land or building could be sold, at the valuation date, in a private agreement between independent interested vendors and purchasers, in which the property is put up for sale on the market and when the respective conditions permit a standard, orderly sale and that the period for negotiating the sale is normal, taking the type of property into account. If there are any rental agreements, the assessment of the presumed transaction price takes the respective income into consideration.

The usual valuation techniques are:

a) Market method: consisting of the valuation of the land or building based on comparisons, i.e. transactions and/or effective acquisition proposals for land or buildings with identical physical and functional characteristics, located in the same property market area.

b) Cost method: consisting of the assessment of the value of the building based on the sum of the market value of the land and all costs necessary for the construction of a building with the same physical and functional characteristics, depreciated on the basis of its age, state of repair and estimated useful life, plus the required profit margins. This method may alternatively be based on the fair value of the building in its current state, subtracting all associated costs and margins from its referred to value after the completion of the works which have still not been performed.

c) Income method: consisting of the assessment of the value of the land or building based on the quotient between the annual effective rent and an adequate capitalisation rate.

As required for in IFRS 13 – "Fair value", valuations of land and buildings maximise the use of observable market data. However, as most valuations also consider non-observable data, the fair value of the Company's land and buildings is classified at level 3 of the fair value ranking defined by IFRS 13.

In April and October 2011 the Group's insurance companies reclassified a collection of sovereign debt instruments and debt issued by financial institutions and corporates from available-for-sale financial assets to held to maturity investments.

The criteria used for the reclassification took into account the portfolios to which the financial assets were allocated, as well as their respective maturities, taking future cash flow requirements into account.

Information of the composition of these assets in 2013 is set out in the following table:

	31-12-2013
Debt instruments	
- Public debt	1,926,845
- Other public issuers	46,784
- Other issuers	
Other residents	85,856
Other non-residents	226,426
	2,285,911
	2,285,911

At 31 December 2013, the balances on held to maturity investments, recognised in "Non-current assets held for sale" also included €492,713 thousand of debt issued by the Group.

Details on the characteristics of the debt instruments reclassified on the transfer date between financial asset categories, in addition to unrecognised gains and losses in shareholders' equity after the reclassification are set out below:

	Portuguese public debt securities	Securities issued by foreign public entities	Securities issued by other entities	Total
Reclassification date				
Book value	1,760,395	297,508	843,223	2,901,126
Fair value reserve	(314,586)	(80,233)	(28,604)	(423,423)
Effective interest rate		8.46%		
At 31 December 2011				
Book value	1,818,396	221,915	797,067	2,837,379
Fair value	1,476,727	209,636	739,892	2,426,254
Gains / (losses) which would have been recognised as a charge				
to shareholders' equity if the assets had not				
been reclassified	(341,669)	(12,280)	(57,176)	(411,125)
At 31 December 2012				
Book value	1,856,962	45,697	566,619	2,469,277
Fair value	2,067,765	46,862	568,278	2,682,904
Gains / (losses) which would have been recognised as a charge				
to shareholders' equity if the assets had not				
been reclassified	210,803	1,165	1,659	213,627
At 31 December 2013				
Book value	1,926,845	46,784	312,282	2,285,911
Fair value	2,120,858	47,580	312,747	2,481,184
Gains / (losses) which would have been recognised as a charge				
to shareholders' equity if the assets had not				
been reclassified	194,013	796	465	195,274

The recovery of the full amount of the cash flow projections associated with these instruments was considered in the calculation of the effective rate on reclassified assets on the transfer date between portfolios.

In the half years ended 30 June 2014 and 2013, information on the composition of the main categories contributing to the assessment of the results of the insurance companies held by Caixa Seguros e Saúde involved in a privatisation process is set out below:

	30-06-2014	30-06-2013
Technical results of insurance operations		
Premiums net of reinsurance	386,981	577,161
Result of investments relating to insurance contracts	48,248	77,004
Cost of claims net of reinsurance	(296,034)	(401,239)
Commissions and other income and cost relating to insurance contracts	(51,238)	(52,036)
	87,957	200,890
Other income and cost		
Interest and similar income	132,395	154,858
Interest and similar costs	(112,287)	(111,191)
Staff costs	(49,151)	(75,585)
Other administrative costs	(49,058)	(70,282)
Depreciation of tangible and intangible assets	(4,312)	(9,976)
Provisions net of reversals	8,638	(25,934)
Impairment net of reversals and recovery	(8,003)	(7,883)
Other	70,687	5,339
	(11,092)	(140,654)
Income tax	(23,967)	(20,107)
INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS	52,897	40,129
Non-controlling interests	(522)	(58)
NET INCOME	52,375	40,071

Technical income from insurance activity

Premiums, net of reinsurance

Information on the composition of this account heading, for the half years ended 30 June 2014 and 2013 is set out below:

	30-06-2014			30-06-2013		
	Gross premiums	Provision for unearned premiums	Net premiums	Gross premiums	Provision for unearned premiums	Net premiums
Direct insurance						
. Life insurance						
. Insurance contracts	66,242	(4,113)	62,129	97,597	(1,688)	95,909
. Investment contracts with discretionary						
profit sharing	19,829	3	19,832	22,296	9	22,305
. Non-life insurance						
. Motor	130,435	(2,003)	128,432	193,954	4,239	198,193
. Workman's compensation	51,658	(7,388)	44,270	65,242	(1,059)	64,183
. Other	225,267	(42,383)	182,884	305,444	(25,621)	279,823
Outwards reinsurance						
. Gross premiums issued						
. Life insurance						
. Insurance contracts	(3,611)	-	(3,611)	(10,628)	-	(10,628)
. Non-life insurance						
. Motor	(4,070)	692	(3,378)	(5,300)	887	(4,413)
. Workman's compensation	(266)	4	(262)	(596)	-	(596)
. Other	(58,724)	17,039	(41,686)	(79,004)	11,389	(67,615)
Inwards reinsurance and retrocession premiums	729	(2,358)	(1,629)	-	-	-
	427,489	(40,507)	386,981	589,005	(11,844)	577,161

Income from investments allocated to insurance contracts

For the half years ended 30 June 2014 and 2013, information on this account heading is set out below:

	30-06-2014			30-06-2013		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Interest	17,158	12,870	30,028	30,478	20,615	51,093
Dividends	5,426	2,951	8,377	6,750	3,555	10,305
Net realised capital gains and losses	1,442	2,444	3,886	5,167	1,322	6,489
Other	-	5,957	5,957	-	9,117	9,117
	24,026	24,222	48,248	42,395	34,609	77,004

Claims costs net of reinsurance

Information on this account heading, for the half years ended 30 June 2014 and 2013, is set out below:

	30-06-2014							
	Life insurance			Non-life insurance				Total
	Insurance contracts	Investment contracts with profit sharing	Subtotal	Motor	Workman's compensation	Other	Subtotal	
Direct insurance and inwards reinsurance								
Claims paid	30,495	65,072	95,567	92,484	40,202	103,943	236,629	332,196
Change in provision for claims	2,619	(1,701)	918	(11,581)	3,464	8,841	724	1,642
	33,114	63,371	96,485	80,903	43,666	112,784	237,353	333,838
Provision for profit sharing	(650)	(12,553)	(13,203)	-	-	-	-	(13,203)
Change in other technical provisions	9,036	(22,160)	(13,124)	(105)	5,473	(4,918)	450	(12,674)
	41,500	28,658	70,158	80,798	49,139	107,866	237,803	307,961
Balance of outwards reinsurance	(1,736)	-	(1,736)	(834)	(242)	(9,115)	(10,191)	(11,927)
	39,764	28,658	68,422	79,964	48,897	98,751	227,612	296,034

	30-06-2013							
	Life insurance			Non-life insurance				Total
	Insurance contracts	Investment contracts with profit sharing	Subtotal	Motor	Workman's compensation	Other	Subtotal	
Direct insurance and inwards reinsurance								
Claims paid	46,640	107,006	153,646	124,871	60,239	180,718	365,828	519,474
Change in provision for claims	(5,122)	(2,867)	(7,989)	(30,543)	1,885	14,268	(14,390)	(22,379)
	41,518	104,139	145,657	94,328	62,124	194,986	351,438	497,095
Provision for profit sharing	1,544	(2,448)	(904)	1	23	86	110	(794)
Change in other technical provisions	765	(53,997)	(53,232)	155	(511)	8,700	8,344	(44,888)
	43,827	47,694	91,521	94,484	61,636	203,772	359,892	451,413
Balance of outwards reinsurance	(5,941)	-	(5,941)	(406)	43	(43,870)	(44,233)	(50,174)
	37,886	47,694	85,580	94,078	61,679	159,902	315,659	401,239

Commissions and other income and costs associated with insurance activities

Information on the composition of this account heading for the half years ended 30 June 2014 and 2013, is set out below:

	30-06-2014			30-06-2013		
	Life insurance	Non-life insurance	Total	Life insurance	Non-life insurance	Total
Technical income:						
Commissions:						
Outwards reinsurance	(2,456)	6,023	3,567	10,753	10,007	20,760
Co-insurance management charges	7	225	232	24	603	627
Pensions Funds management charges	121	-	121	170	-	170
Other technical income						
Other technical income	1	61	62	3	13	16
	(2,327)	6,309	3,982	10,950	10,623	21,573
Technical costs:						
Commissions:						
Direct insurance operations:						
- Mediation and brokerage charge	(16,605)	(29,301)	(45,906)	(19,619)	(42,440)	(62,059)
- Collection charges	(42)	(3,081)	(3,123)	(65)	(3,673)	(3,738)
- Other	-	(4,015)	(4,015)	-	(7,168)	(7,168)
Inwards reinsurance operations	-	1,976	1,976	-	299	299
Co-insurance management charges	(1)	(56)	(57)	(22)	(112)	(134)
Other technical income						
Provision for premiums receivable	(714)	(993)	(1,707)	2,192	(983)	1,209
Taxes specific to the insurance business	(439)	(1,903)	(2,342)	(563)	(1,445)	(2,008)
Other	-	(46)	(46)	-	(10)	(10)
	(17,801)	(37,419)	(55,220)	(18,078)	(55,532)	(73,609)
	(20,128)	(31,110)	(51,238)	(7,128)	(44,909)	(52,036)

13. INVESTMENT PROPERTIES

At 30 June 2014 and 31 December 2013, the investment properties held by the Group were recognised at their fair value. Gains and losses on the revaluation of these properties are recognised in profit and loss as a charge to "Other net operating income" (Note 2.9).

In first half 2014 and in 2013, the main property investment transactions were as follows:

. Caixa's integration, in 2013, of the assets of *Fundo de Investimento Fechado Fundolis* and *Fundo de Investimento Fechado Beirafundo* as a result of the process for the revision of the funding structure of the projects managed by these corporate vehicles, with increases of €58,250 thousand and €53,180 thousand, respectively, in this account heading's balance.

. Caixa's integration, in first half 2014, of the assets of *Fundo Ibéria FEIIF,* formed on 8 November 2006, with a duration of 9 years. The Fund's objective was to achieve capital appreciation and stable income based on the management of real estate portfolio. A Special Fund Revitalisation Plan ("PER") was approved during the course of 2013, following talks with bank lenders, including CGD, with the objective of advancing solutions to avoid a scenario of insolvency. According to the provisions of the approved Restructuring Plan, Caixa acquired the other investors' equity participacion in the capital of the Fund, having latterly (March 2014) fully subscribed for a capital increase enabling the corporate vehicle to remain solvent and settle its debt to the Fund's other creditors.

Measurement methodologies and fair value assessment

The measurement of fair value on investment properties, in addition to other relevant factors, takes into consideration the nature, characteristics and geographies of the properties, with the objective of assessing the best price to be obtained from their disposal under normal market conditions. Fair value is assessed by individual appraisers who should use at least two of the following methods:

. In the case of the Market Comparison Method, the amount of a specific transaction is assessed on prices and other relevant information on market deals involving identical or comparable (similar) properties. It generally uses statistical methods after harmonising the various market data. This is the main method used whenever there Is a significant number of known transactions;

. The Income Method estimates the value of an item of property by capitalising the annual amount of rents or annual operating income generated by the activity being performed in the building. When, over time, the changes in income are more significant than generally expected in the market, DCF (discounted cash flows) are used. The income method applies in the case of an effective rental of the property, when the property is for rent, when the rental market for the type of property being valued is active or when the property is to be exploited economically;

. The Cost Method estimates the value of the property on the basis of the amount which would currently be needed to obtain on alternative property, as a copy of the original or with an equivalent use, adjusted for obsolescence. It is obtained from the sum of the acquisition cost of the land with construction costs, including depreciation charges based on a property's present physical, environmental and economic conditions plus commercialisation costs and a developer's margin/risk. This method is used as the main approach when no market information is available on transactions of similar property and there is no potential income associated with it.

The availability of relevant data and their relative subjectivity may affect the choice of the valuation method/techniques. The choice, in each case, should be particularly based on those which maximise the use of relevant observable variables.

The most relevant variables considered for each of the above referred to valuation methods are as follows:

(i) Market comparison method

This is the presumed sales price per m2 or presumed sales price per unit (when what is relevant is not the area but rather the use provided by the property e.g. car parks). In liquid markets, these variables are provided by directly or indirectly observable data in the transaction market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

(ii) Income method

Capitalisation technique

Amount of the monthly rent per m2 or monthly rent per unit (when what is relevant is not the area but rather the use provided by the property e.g. car parks). In active markets, these variables are provided by directly or indirectly observable data in the transaction market, although they may need to be adjusted (harmonised) depending on the specific characteristics of the property being valued.

Variables which contribute towards the assessment of operating income generated by the property. These variables may vary in line with the type of property and are generally gauged by the property's potential income generating capacity, taking into account the information available on the assumptions of market players. The data supplied by the entity operating the property may be used in the absence of reasonably available information indicating that market players would employ assumptions.

Capitalisation rate which is associated with the risk on capital invested, income, liquidity tax burden, risk-free interest rate, expectations of market evolution. In active markets, it establishes the existence of a linear relationship at a certain point of time between the rental and purchase/sales market, for a certain geography and a specific property product, with an identical risk and identical evolution of rents.

Discounted cash flow technique

There may be diverse variables contributing to the cash flow projection based on the type of property. This technique is reliant on current expectations of changes in the values and times of the occurrence of future cash flows and it is usually necessary to include a risk adjustment factor based on the uncertainty of this type of measurement.

The discount rate is considered to be the value of money over time, associated with a risk-free interest rate and price to be paid on the uncertainty involved in cash flows (risk premium).

(iii) Cost method

The construction cost per m2 is a variable which is essentially reliant on the construction characteristics of the property but in which a contributory factor is the place of construction. It is based on directly or indirectly observable construction market data.

In compliance with the requirements of IFRS 13, the following table sets out information on the Group's investment properties at 30 June 2014, classified by type, development status in their preparation for use and current occupancy, considering the methodologies used to measure fair value:

				30-06-2014			
Fair value hierarchy	Property type	State development	Occupacion	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
	Shoping center	Under construction	Unoccupied	64,604	Income capitalisation method	Estimated rental value per m2	4-6 (shopping center) / 20 (lo (stores)
						Estimated value of the land per m2	[8,5%]
				64,604			
	Offices	Concluded	Rented	77	Market comparable method	Estimated sale value per m2	572
				1,911	Income capitalisation method / Market comparable method	Estimated rental value per m2	1,03-9,8
						Estimated sale value per m2	1000-1920
				138,863	Income capitalisation method / Market comparable method	Value per m2	6-14
						Discount rate	[6,5%-8,7%]
				1,424	Income capitalisation method / Market comparable method	Value per m2	78-83
						Estimated value of the land per m2	[7,0%-7,5%]
				152,694	Income capitalisation method / Market comparable method	Value per m2	4,9-20,4
						Estimated value of the land per m2	[5,5%-8,5%]
				16,552	Income capitalisation method / Market comparable method / the cost method/DCF	Value per m2	2,66-17,10
						Estimated value of the land per m2	[4,1%-9,5%]
				272,984	Income capitalisation method / Market comparable method / the cost method/DCF	Value per m2	10-28
						Estimated value of the land per m2	[5,1%-13%]
				3,817	Income capitalisation method / Market comparable method / the cost method/DCF	Value per m2	20-120
						Estimated value of the land per m2	[6,0%-13%]
			Capitalisation / sale	303	Market comparable method	Estimated sale value per m2	960-970
				7,211	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1940-2300
		Under construction	Capitalisation / sale	12,401	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	1940-2300
				608,236			
	Habitation	Concluded	Rented	278	Market comparable method	Estimated sale value per m2	300-882
				324	Income capitalisation method	Estimated rental value per m2	4
				87,566	Income capitalisation method / Market comparable method	Estimated rental value per m2	[0,3-6,0]
						Estimated sale value per m2	[210-2400]
				41,760	Income capitalisation method / Market comparable method	Estimated rental value per m2	[5,1-13,3]
						Estimated sale value per m2	[800-2680]
				4	Income capitalisation method / Market comparable method	Estimated rental value per m2	20
						Estimated sale value per m2	[4000-5000]
		Under construction	Capitalisation / sale	31,596	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[500-520][1420-1825]
				161,528			

				30-06-2014			
Fair value hierarchy	Property type	State development	Occupacion	Book value	Measurement techniques	Relevants inputs	Reference range of relevant inputs
	Stores	Concluded	Rented	527	Market comparable method	Estimated sale value per m2	[615-2619]
				3,802	Income capitalisation method / Market comparable method	Estimated rental value per m2	[0,4-9,5]
						Estimated sale value per m2	[410-2090]
				2,611	Income capitalisation method / Market comparable method	Estimated rental value per m2	[10-35,3]
						Estimated sale value per m2	[1125-3240]
				7,980	Income capitalisation method / Market comparable method	Value per m2	[3,25-36,6]
						Estimated value of the land per m2	[7,0%-9,5%]
				74,490	Income capitalisation method / Market comparable method / the cost method/DCF	Value per m2	[2,5-31,37]
						Estimated value of the land per m2	[5,6%-11%]
				7,525	Income capitalisation method / Market comparable method / the cost method/DCF	Value per m2	[30-158]
						Estimated value of the land per m2	[5,0%-10,58%]
		Under construction	Capitalisation / sale	3,577	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[700-2150]
				100,512			
	Parking	Concluded	Rented	588	Income capitalisation method / Market comparable method	Estimated sale value per m2	[1,6-26]
						Estimated sale value per parking lot	[410-19500]
				713	Income capitalisation method / Market comparable method	Estimated sale value per m2	[30-140]
						Estimated sale value per parking lot	[5500-19500]
				14,337	Income capitalisation method / Market comparable method	unit value per place	[31-106,79]
						Estimated value of the land per m2	[4,0%-8%]
				54,548	Income capitalisation method / Market comparable method / the cost method/DCF	unit value per place	[16,5-244,06]
						Estimated value of the land per m2	[6,0%-10,5%]
		Under construction	Capitalisation / sale	2,672	Replacement cost method / DCF / Market comparable method	Estimated sale value per parking lot	[500-750]
				507	Replacement cost method / DCF / Market comparable method	Estimated sale value per parking lot	[6000-6500]
				73,365			
	Land	n.a	Capitalisation / sale	58,015	Replacement cost method / DCF / Market comparable method	Estimated sale value per m2	[950-2000]
						Estimated sale amount per infraestruted lot	265
						Discount rate	[8,5%-10%]
				236	Market comparable method / Table of expropriations	Estimated value of the land per m2	5
			Rented	373	Replacement cost method / Market comparable method	Estimated value of the land per m2 of construction	[90-120]
				58,623			
	Warehouses	n.a	Rented	1,516	Market comparable method	Estimated sale value per m2	[309-588]
				675	Income capitalisation method	Estimated rental value per m2	[2,0-3,5]
				36,342	Income capitalisation method / Market comparable method	Value per m2	[1,67-7,1]
						Estimated value of the land per m2	[7,5%-9%]
				94,984	Income capitalisation method / Market comparable method / the cost method/DCF	Value per m2	[0,63-12,14]
						Estimated value of the land per m2	
				133,517			
				1,200,385			
	Other			43,189			
				1,243,574			

As already stated, valuations of land and buildings maximise the use of observable market data. However, as most valuation techniques also consider non-observable data, they are classified at level 3 of the fair value ranking of IFRS 13.

14. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The composition of this account heading, at 30 June 2014 and 31 December 2013 is set out below:

	30-06-2014		31-12-2013	
	Effective participating interest (%)	Book Value	Effective participating interest (%)	Book Value
Jointly controlled entities				
Locarent, S.A.	50.00	6,395	50.00	6,535
Esegur, S.A.	50.00	7,476	50.00	6,074
		13,871		12,609
Associated companies				
Fidelidade – Companhia de Seguros, S.A	20.00	248,369	-	-
Cares - Companhia de Seguros, S. A.	20.00	4,554	-	-
Multicare - Seguros de Saúde, S.A.	20.00	10,013	-	-
SIBS - Sociedade Interbancária de Serviços, S.A.	21.60	18,072	21.60	16,559
Banco Internacional de São Tomé e Príncipe, S.A.	27.00	3,275	27.00	3,108
Torre Ocidente Imobiliária, S.A.	25.00	3,082	25.00	3,181
Prado - Cartolinas da Lousã, S.A.	38.15	2,971	38.15	3,691
Other		3,006		3,164
		293,342		29,703
		307,213		42,311

Information on the statutory financial data (unaudited financial statements) of the main associates and jointly controlled entities, at 30 June 2014 and 31 December 2013, is set out below:

Business sector / Entity	Registered office	30-06-2014				
		Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	81,676	69,541	12,135	554	7,460
Property						
Torre Ocidente, Imobiliária, S.A.	Lisbon	57,708	45,380	12,328	(397)	1,378
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	364,910	475,867	(110,957)	(9,612)	9,472
Insurance						
Fidelidade – Companhia de Seguros, S.A	Lisbon	12,773,047	11,739,873	1,033,175	88,523	836,493
Cares - Companhia de Seguros, S. A.	Lisbon	58,098	41,039	17,059	4,053	22,023
Multicare - Seguros de Saúde, S.A.	Lisbon	138,947	91,683	47,264	1,802	109,159
Other						
Esegur, S.A.	Lisbon	36,336	23,545	12,791	731	25,042
Locarent, S.A.	Lisbon	226,259	211,308	14,951	1,674	38,835
Companhia de Papel do Prado, S.A.	Tomar	4,424	1,034	3,390	(5)	-
Prado - Cartolinas da Lousã, S.A.	Lousã	13,376	5,589	7,787	158	11,474
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	140,975	57,303	83,672	10,883	79,070

(a) Equity includes net income for the period and excludes non-controlling interests.

Business sector / Entity	Registered office	31-12-2013				
		Assets	Liabilities	Equity (a)	Net income	Total income
Banking						
Banco Internacional de São Tomé e Príncipe	São Tomé	79,420	67,903	11,517	1,175	8,357
Property						
Torre Ocidente, Imobiliária, S.A.	Lisbon	58,197	45,473	12,724	(3,658)	1,730
Vale do Lobo, Resort Turístico de Luxo, S.A.	Lisbon	375,853	476,834	(100,981)	(17,214)	13,478
Other						
Esegur, S.A.	Lisbon	35,648	23,500	12,148	850	50,963
Locarent, S.A.	Lisbon	239,920	226,850	13,070	4,316	91,861
Companhia de Papel do Prado, S.A.	Tomar	4,406	1,008	3,398	(7)	-
Prado - Cartolinas da Lousã, S.A.	Lousã	16,676	7,000	9,676	925	20,541
SIBS - Sociedade Interbancária de Serviços, S.A.	Lisbon	149,829	73,164	76,665	11,325	144,085

(a) Equity includes net income for the year and excludes non-controlling interests.

As set out in greater detail in Note 12, the Group completed the disposal of its 80% equity stake in Fidelidade – Companhia de Seguros, S.A., Cares – Companhia de Seguros, S.A. and Multicare – Seguros de Saúde, S.A. to Fosun International Limited, in May 2014. The equity stakes retained by the Group in the referred to entities after this transaction were classified as investments in associates, according to the conditions described in Note 2.5.

The sales operation of the Group's equity stake in Banco para Promoção e Desenvolvimento (BPD) was completed in first half 2013.

The corporate object of this financial institution, formed on 14 February 2011 in a public deed entered into between Sonangol, Empresa Pública, Sonangol Holdings, Limitada, Gerbanca, S.G.P.S., S.A., Caixa - Participações, S.G.P.S., S.A. and Caixa Geral de Depósitos, S.A., is to perform banking operation permitted by law.

The bank has a share capital of 45,900,000,000 Kwanzas, (USD 500,000,000 on its date of formation) of which 2,594,481,000 Kwanzas were paid up on the date of the company's act of registration. The Group had a 50% stake in BPD, split up between CGD with 49.99%, Caixa – Participações (0.005%) and Gerbanca (0.005%).

The amount of BPD's unrealised capital attributable to Caixa at 31 December 2012 totalled €171,838 thousand at the closing exchange rate at the said date.

The purchase/sales contract for CGD Group companies' disposal of their equity stake to Grupo Sonangol Sociedade Nacional de Combustíveis de Angola, Empresa Pública (Sonangol EP) and Sonip - Sonangol Imobiliária e Propriedades, LDA (Sonip), for a global amount of USD 29,664,249, was also entered into at 31 December 2012. Its completion at the said date was contingent upon the necessary permits for the transfer of corporate holdings and capital export licences from the National Bank of Angola.

The Group recognised capital gains of €8,604 thousand gains on this transaction, of which an amount of €2,695 thousand was recognised in "Foreign exchange results – revaluation of foreign exchange position" account headings (Note 31) and €5,909 thousand in "Other net operating income – gains on subsidiaries and jointly controlled entities" account headings (Note 32).

15. INCOME TAX

Tax assets and liabilities balances, at 30 June 2014 and 31 December 2013, were as follows:

	30-06-2014	31-12-2013
Current tax assets		
Income tax recoverable	91,802	104,993
Other	21,866	23,712
	113,668	128,705
Current tax liabilities		
Income tax payable	5,615	12,610
Other	55,290	57,514
	60,905	70,123
	52,763	58,582
Deferred tax assets		
Temporary differences	1,099,506	1,195,307
Reported tax losses	261,704	179,941
	1,361,210	1,375,248
Deferred tax liabilities	288,702	180,574
	1,072,507	1,194,674

Deferred tax movements, for the half years ended 30 June 2014 and 2013, were as follows:

	Balance at 31-12-2013	Change in		Other	Balance at 30-06-2014
		Equity	Profit or loss		
Impairment and adjustments to property and tangible and intangible assets	20,486	(26)	2,900	267	23,626
Provisions and impairment temporarily not tax deductible	880,521	-	(29,948)	3,575	854,148
Measurement of derivatives	(13,207)	-	1,043	(61)	(12,224)
Measurement of available-for-sale assets	9,354	(153,604)	-	(1,536)	(145,786)
Measurement of other securities	11,036	-	(21,231)	(101)	(10,297)
Tax loss carry forward	179,941	-	81,385	378	261,704
Employee benefits	154,708	(893)	(1)	(1,242)	152,572
Commissions	18,110	-	(305)	(1)	17,803
Legal revaluation of other tangible assets	(4,522)	-	117	-	(4,404)
Other	(61,754)	-	(12,688)	9,806	(64,636)
	1,194,674	(154,523)	21,272	11,085	1,072,507

	Balance at 31-12-2012	Change in		Other	Balance at 30-06-2013
		Equity	Profit or loss		
Impairment and adjustments to property and tangible and intangible assets	74,085	(1,033)	2,543	941	76,536
Provisions and impairment temporarily not tax deductible	875,346	-	(20,384)	(4,031)	850,931
Measurement of derivatives	(11,264)	-	102	-	(11,162)
Measurement of available-for-sale assets	69,608	(31,518)	-	684	38,774
Measurement of other securities	4,184	-	(5,423)	6,569	5,330
Tax loss carry forward	63,464	-	72,232	(198)	135,498
Employee benefits	165,981	(866)	4,148	(5,840)	163,422
Commissions	18,183	-	(926)	(329)	16,928
Legal revaluation of other tangible assets	(4,742)	-	112	-	(4,630)
Other	16,703	-	(9,984)	11,025	17,743
	1,271,546	(33,417)	42,418	8,821	1,289,369

The "Changes in results column in the deferred tax assets and liabilities table for first half 2013 included costs of €5,145 thousand, which were reclassified to the "Results from subsidiaries held for sale" heading in profit and loss for the referred to period deriving from the transfer of the assets and liabilities of the Group's insurance companies involved in a privatisation process to non-current assets and liabilities held for sale (Note 12).

The Group changed its accounting policy on the recognition of actuarial gains and losses on pension plans and other post-employment benefits in 2011, under which all actuarial gains and losses arising from the revaluation of pensions and healthcare liabilities and pension fund yield forecasts were recognised as a charge to a shareholders' equity account heading. Up to 2010 these gains and losses had been processed by the corridor method.

Under the terms of article 183 of the State Budget Law for 2012 (Law 64-A/2011 of 30 December) the negative equity charges deriving from the change in the accounting policy on the recognition of actuarial gains and losses on pension plans and other defined benefit post employment benefits, in respect of contributions made in the said period or former taxation periods are not included in the limits referred to in numbers 2 and 3 of article 43 of the IRC Code and are tax deductible, in equal parts, over the ten tax periods starting on or after 1 January 2012.

Information on income tax costs recognised in profit and loss, in addition to the fiscal burden measured by the tax appropriation and net profit or loss for the period before tax ratio, is set out below:

	30-06-2014	30-06-2013
Current tax		
For the period	26,264	(7,418)
Extraordinary contribution on the banking sector	14,894	12,567
Prior year adjustments (net)	(4,017)	(22,399)
	37,141	(17,250)
Deferred tax	(21,272)	(37,273)
Total	15,869	(54,523)
Consolidated income before tax and non-controlling interests	176,740	(217,258)
Tax charge	8.98%	25.10%

Information on the "Prior year adjustments" account heading for the half years ended 30 June 2014 and 2013, comprised the following:

	30-06-2014	30-06-2013
Insufficiency / (excess) of estimated tax for 2013 and 2012	(1,661)	962
Adjustments to previous years taxable income	(2,285)	(23,337)
Other	(71)	(24)
	(4,017)	(22,399)

The reconciliation between the nominal and effective tax rates for the half years ended 30 June 2014 and 2013 was:

	30-06-2014		30-06-2013	
	Rate	Tax	Rate	Tax
Income before income tax		176,740		(217,258)
Tax at the nominal rate	29.35%	51,873	28.85%	(62,679)
Investments recorded in accordance with the equity method	(49.49%)	(87,470)	10.41%	(22,617)
Impact of companies with tax rates different from the nominal rate in Portugal	2.05%	3,629	(1.05%)	2,271
Definitive differences to be deducted:				
Tax exempted capital gains	(0.41%)	(723)	1.99%	(4,323)
Other	(0.49%)	(865)	0.25%	(536)
Definitive difference to be added:				
Non deductable provisions	0.03%	51	(0.37%)	808
Other	0.86%	1,516	(0.86%)	1,864
Impairment on available-for-sale financial assets, net of write-offs	0.00%	-	0.21%	(457)
Annulment of tax losses (not recoverable)	1.57%	2,771	(5.64%)	12,250
Differential of tax rate on tax losses carry forward (*)	12.64%	22,336	(7.05%)	15,317
Autonomous taxation	0.83%	1,473	(1.00%)	2,178
Contribution on the banking sector	8.43%	14,894	(5.78%)	12,567
Other	8.69%	15,350	(2.07%)	4,504
	14.05%	24,835	17.88%	(38,853)
Tax adjustments relative to prior years				
Insufficiency / (excess) of tax estimate, net of deferred tax	(5.03%)	(8,894)	7.20%	(15,647)
Other	(0.04%)	(71)	0.01%	(24)
	(5.07%)	(8,965)	7.21%	(15,670)
	8.98%	15,869	25.10%	(54,523)

(*) The computation of deffered taxes relating to tax losses carry forward is based on a regulatory tax rate of 23% and does not include State or Municipal subcharges

CGD's nominal tax rate, for the half year ended 30 June 2014, considering the state surcharge applicable to its operations was 29.35% (28.85% at 30 June 2013).

The assessment of CGD's nominal tax rate considers the increase in the municipal and state surcharges on IRC taxable profit. In the case of the state surcharge reference should be made to the change in the wording of article 87-A of the IRC Code brought in by Law 12-2014 of 16 January (IRC Reform Law) whose number 1 provides (for the fiscal years starting on or after 1 January 2014) for the application of the following rates on taxable profit in the following bands:

- a rate of 3% between €1,500 thousand and €7,500 thousand;
- a rate of 5% between €7,500 thousand and €35,000 thousand;
- a rate of 7% on more than €35,000 thousand.

The changes made by the State Budget Law for 2014, also revised the nominal IRC rate on taxable income (with the exceptions provided for by current legislation) which was reduced from 25% to 23%.

At 30 June 2014 the balance of deferred tax assets relative to the carry-back of tax losses included recognition of €224,709 thousand in Caixa's financial statements of which €81,385 thousand originated in the period in question.

According to the changes made under the reform of the IRC Code, the period for reporting the carry-back of tax losses for tax periods starting after 1 January 2014 was extended to 12 years. As regards the balance of the carry-back of tax losses originating in 2013, the maximum length of the recovery period after their assessment is five years. However, as regards taxation periods starting on or after 1 January 2014, the deduction of fiscal losses may not exceed 70% of the respective taxable profit.

Deriving from the dispositions of article 141 of the State Budget Law for 2011 (Law 55-A/2010 of 31 December), which established the introduction of a new contribution regime applicable to the banking sector, the Group recognised €14,894 thousand and €12,567 thousand for the six months ended 30 June 2014 and 2013 respectively for the costs of this tax. The new tax, regulated under the terms of Ministerial Order 121/2011 of 30 March is levied on the liabilities of credit institutions headquartered on Portuguese territory, net of own and complementary funds therein included, as well as deposits covered by the Deposit Guarantee Fund, and the notional amount of financial derivatives other than hedge derivatives. The tax is also payable by the subsidiaries of credit institutions headquartered outside Portuguese territory as well as the branches in Portugal of credit institutions headquartered outside the European Union.

The Tax Authorities are normally entitled to review the tax situation during a certain period, which in Portugal is four years (unless tax losses have been carried back, in addition to any other deduction or tax credit expiring in the same year as this right). Owing to different interpretations of the legislation, this may result in the eventual possibility of adjustments being made to the taxable profit from former years (2010 to 2013 in the case of most entities headquartered in Portugal, with Caixa Geral de Depósitos having been inspected in 2010 and 2011). Any possible adjustments, given the nature thereof, cannot be quantified at present. Caixa's Board of Directors considers, however, that any adjustments for the above years are unlikely to have a significant effect on the consolidated financial statements.

16. TECHNICAL PROVISIONS FOR OUTWARDS REINSURANCE

In the framework of the privatisation process involving the Group's insurance companies, the balances of these business units associated with technical provisions for insurance contracts were reclassified during the course of 2013 to "Non-current assets held for sale" categories. Information on the composition of these assets for 2013 is set out in the following table:

	31-12-2013		
	Balances classified in "Technical provisions for outwards reinsurance"	Balances classified in "Non-current assets held for sale" (Note 12)	Total
Caixa Seguros			
Life insurance:			
Provision for unearned premiums	-	-	-
Mathematical provision	-	12,903	12,903
Provision for claims:			
Reported claims	-	9,019	9,019
Unreported claims (IBNR)	-	2,690	2,690
	-	11,709	11,709
Provision for profit sharing	-	36	36
Total life insurance	-	24,648	24,648
Non-life insurance:			
Provision for unearned premiums	-	31,912	31,912
Provision for claims:			
Reported claims	-	117,957	117,957
Unreported claims (IBNR)	-	6,143	6,143
	-	124,100	124,100
Total non-life insurance	-	156,012	156,012
Subtotal Caixa Seguros	-	180,660	180,660
Other	5,547	-	5,547
	5,547	180,660	186,207

17. OTHER ASSETS

This account heading comprises the following:

	30-06-2014	31-12-2013
Other assets		
Debt certificates of the Territory of Macau	495,634	451,675
Other	9,602	9,426
Debtors and other applications		
Central and local government	5,706	11,937
Shareholders' loans	210,286	221,777
Debtors - futures contracts	41,779	40,433
Amount receivable from the sale of EDP	481,456	481,456
Other debtors	1,489,309	1,366,713
Grants receivable from		
The State	29,153	32,727
Other entities	11,815	11,636
Amount receivable from the sale of assets received as settlement of defaulting loans	3,301	27,335
Other	149,095	212,442
Income receivable	30,972	39,779
Deferred costs		
Rent	5,473	6,042
Other	52,334	20,482
Deferred income	(4,631)	(4,451)
Operations pending settlement	209,320	166,855
Stock exchange operations	-	4,128
	3,220,605	3,100,391
Impairment (Note 35)	(210,098)	(235,247)
	3,010,507	2,865,144

Information on impairment movements on debtors and other assets for the half years ended 30 June 2014 and 2013 is set out in Note 35.

The amount receivable for the sale of EDP, at 30 June 2014 and 31 December 2013, derives from CGD's disposal of an equity stake in the company to Parpública.

The "Debtors and other applications – other debtors" account heading at 30 June 2014 and 31 December 2013, included €1,051,206 thousand and €928,104 thousand, respectively, for surety accounts in several financial institutions. The referred to sureties derive from liquidity providing operations collateralised by financial assets and from interest rate swap agreements (IRS) with these entities.

The "Debtors and other applications – other debtors" account heading, at 30 June 2014 and 31 December 2013, included €50,282 thousand for Caixa's surety deposit with the Tax Authorities relative to the suspension of the fiscal execution of a tax settlement, referred to in greater detail in Note 21.

Under the contract to issue notes entered into between Banco Nacional Ultramarino, S.A. (Macau) and the Territory of Macau, the Bank provides the Territory with convertible currency corresponding to the countervalue of notes in circulation, receiving in return, a debt certificate for an equivalent amount to cover the liability resulting from the currency issuance (Note 24). The amounts to be provided to the Territory by the Bank are reconciled on a monthly basis, in the first fifteen days of each month, based on the preceding month's average daily balances. The debt certificate of the Macau Government, at 30 June 2014 and 31 December 2013 totalled €495,634 thousand and €451,675 thousand, respectively. No interest is payable on the certificate, as the consideration for the functions attributed to Banco Nacional Ultramarino, S.A. (Macau) is given by a permanent non-interest-bearing deposit.

Shareholders' loans, at 30 June 2014 and 31 December 2013 comprised the following:

	30-06-2014	31-12-2013
Locarent - Companhia Portuguesa de Aluguer de Viaturas, S.A.	86,000	86,000
Moretextile, SGPS, S.A.	34,528	34,062
A. Silva & Silva - Imobiliário & Serviços, S.A.	28,977	28,977
Sagesecur - Estudo, Desenvolvimento e Participações em Projetos, S.A.	13,643	14,130
PP3E - Projetos e Participações em Empreendimentos de Energia Elétrica, S.A.	10,200	10,200
Other	36,938	48,408
	210,286	221,777

Details on shareholders' loans to Locarent – Companhia Portuguesa de Aluguer de Viaturas, S.A., at 30 June 2014 and 31 December 2013 are set out below:

- A shareholders' loan of €36,000 thousand at 3 month Euribor rate plus a spread of 0.75%. Interest is paid quarterly on 1 February, May, August and November of each year. An addendum to the loan extending the maturity up to 30 June 2018 was signed in first quarter 2014.

- A shareholders' loan of €50,000 thousand at 3 month Euribor rate. Quarterly interest is paid on 1 January, 1 April, 1 July and 1 October of each year. An addendum to the initial loan contract was signed in second half 2012 entailing an increase of 2% and 3% in spread up to 31 December 2012 and 30 September 2013, respectively. In second half 2013, the parties entered into a new shareholders' loan agreement under which the maturity period was extended for another year with no other changes being made to the terms and conditions in force.

Under the financial restructuring agreement for the Coelima, JMA - José Machado de Almeida and AAF – António Almeida & Filhos textiles groups, entered into in first half 2011, Caixa made shareholders' loans of €31,182 thousand to Moretextile, SGPS, S.A. (an entity formed on the basis of this operation). The shareholders' loans were used to pay off a part of Coelima's debt to its creditors (including CGD). Interest at the 6 month Euribor rate plus a spread of 2.5% is charged on these shareholders' loans which are repayable in full (principal and interest) in a lump sum on 13 May 2018. This term is renewable for an additional period of five years. The repayment of these shareholders' loans is subordinated to the payment of the overdue and unpaid loans of other creditors by Moretextil and its associates. Caixa recognised impairment on unrealised capital losses for the amount of €34,661 thousand on this asset of which €473 thousand in first half 2014.

This account heading also included an assignment of credit rights over 19.5% of the shareholders' loans made to Sagesecur by Parpública to Parcaixa, at 30 June 2014 and 31 December 2013, in the sphere of the payment of the entity's share capital, at the date of its formation.

18. CREDIT INSTITUTIONS' AND CENTRAL BANKS' RESOURCES

This account heading comprises the following:

	30-06-2014	31-12-2013
Resources of central banks		
Resources - European Central Bank		
Loans, deposits and other resources		
Caixa Geral de Depósitos	3,700,000	4,750,000
Other Group entities	1,585,000	1,584,500
Resources of other central banks		
Deposits and other resources		
Of domestic credit institutions	715	219
Of foreign credit institutions	84,361	79,020
Sale operations with repurchase agreement	25,000	-
Other resources	2,518	664
Interest payable	62,442	70,601
	5,460,035	6,485,004
Resources of other credit institutions		
Deposits and other resources		
Of domestic credit institutions	808,029	1,035,558
Of foreign credit institutions	938,951	1,062,383
Interbank money market resources	28,400	32,000
Immediate short term resources		
Of domestic credit institutions	192,865	364,923
Of foreign credit institutions	32,318	21,864
Loans		
Of foreign credit institutions	28,679	32,251
Resources of international financial entities	41,038	60,349
Sale operations with repurchase agreement	892,810	624,648
Adjustments to liabilities under hedging operations	161	203
Interest payable	14,825	15,817
Charges with deferred cost	(2,721)	(351)
	2,975,354	3,249,645
	8,435,389	9,734,649

The "Resources of central banks– Resources – European Central Bank" account heading at 30 June 2014 and 31 December 2013, refers to loans obtained from the European Central

Bank, collateralised by debt instruments and other loans in the Group's portfolio. These assets are not available for free circulation and are recognised at their nominal value in "Assets-backed guarantees" (Note 21) in off-balance sheet account headings.

The "Sale operations with a repurchase agreement" account heading, at 30 June 2014 and 31 December 2013, refer to contracts for the assignment of financial assets with an agreement to purchase at a future date at a predefined price, entered into between the Group and various financial institutions.

The assignment of financial instruments in sales operations with a repurchase agreement are not derecognised in the balance sheet and continue to be measured in accordance with the accounting policies applicable to the underlying assets (Note 9). The difference between sales and repurchase prices is recognised as an interest expense and deferred over the contract's lifetime.

The referred to operations were contracted for under Global Master Repurchase Agreements (GMRA) or bilateral liquidity injection agreements, which provide mechanisms strengthening the collateral associated with these transactions based on the evolution of respective market value assessed in accordance with the specifications agreed between the counterparties, usually comprising surety deposits.

19. CUSTOMER RESOURCES AND OTHER LOANS

This account heading comprises the following:

	30-06-2014	31-12-2013
Savings deposits	1,683,235	1,758,681
Other debts		
Repayable on demand	19,656,323	19,366,138
Term		
Deposits	43,707,291	44,833,633
Mandatory deposits	298,036	306,922
Other resources:		
Cheques and orders payable	84,919	69,160
Loans	237,534	68,399
Operations with repurchase agreement	45,810	45,970
Other	867,740	752,999
	45,241,331	46,077,084
	64,897,654	65,443,222
Interest payable	534,183	621,651
Deferred costs net of deferred income	(11,869)	(8,430)
Commissions associated with amortised cost (deferred)	(9,114)	(9,179)
Adjustments to liabilities under hedging operations	32,336	18,524
	545,537	622,567
	67,126,426	67,824,469

20. DEBT SECURITIES

This account heading comprises the following:

	30-06-2014	31-12-2013
Bonds issued:		
Bonds issued under the EMTN Programme		
- Remuneration indexed to interest rates	124,402	124,402
- Fixed interest rate	2,217,818	3,281,790
- Remuneration indexed to shares / indexes	56,000	114,000
- Remuneration indexed to exchange rates	331,666	420,236
	2,729,886	3,940,428
Covered bonds	4,484,550	3,736,100
Public sector covered bonds	664,550	622,700
Other cash bonds		
- Remuneration indexed to interest rates	61,781	62,442
	61,781	62,442
	7,940,767	8,361,670
Other		
Issues under the Euro Commercial Paper and Certificates of Deposit Programme		
- Commercial Paper	51,670	20,976
Securities issued under securitisation operations (Note 11)		
- Mortgage loans	146,560	223,118
	198,230	244,094
Adjustments to liabilities under hedging operations	48,845	9,812
Deferred costs net of income	(15,692)	(12,152)
Interest payable	196,650	187,963
	8,368,800	8,791,387

The breakdown of the debt securities account heading, at 30 June 2014 and 31 December 2013, is net of the accumulated debt balances repurchases, as follows:

	30-06-2014	31-12-2013
Bonds issued under the EMTN programme	15,388	15,388
Covered bonds	2,400,000	3,700,000
Public sector bonds	135,450	135,450
Other cash bonds	1,500,000	3,600,000
	4,050,838	7,450,838

Caixa issued two Portuguese state-backed bond loans of €1,800,000 thousand and €2,800,000 thousand, at 19 July and 23 December 2011, respectively, according to the following terms:

. Issuance of a bond loan of €1,800,000 thousand (1st issuance) – interest at 3 month Euribor rate plus a spread of 4.95% is payable on such bonds, which mature on 19 July 2014;

. Issuance of a bond loan of €2,800,000 thousand (2nd issuance) - interest at 6 month Euribor rate plus a spread of 5% is payable on such bonds which mature on 23 December 2014;

The referred to issuances comply with the dispositions of Law 60-A/2008 of 20 October, Law 55-A/2010 of 31 December and Ministerial Orders 1219-A/2008 of 23 October and 946/2010 of 22 September.

CGD has been making partial repayments of these loans. At 30 June 2014 only €1,500,000 thousand relative to the second issuance remained outstanding.

These issuances were fully repurchased by Caixa and used as collateral for European Central Bank liquidity injection operations.

CGD uses the following specific programmes to diversify its funding sources:

(i) Euro Commercial Paper and Certificates of Deposit (ECP and CCP)

Under the "€10 billion Euro Commercial Paper and Certificates of Deposit" Programme, CGD (either directly or through its France and London Branches) is entitled to issue certificates of deposit (CD) and notes with a maximum maturity of 5 years and 1 year, respectively, in euros, US dollars, sterling, Japanese yen or any other currency agreed between the parties. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

(ii) US Commercial Paper

Under this programme, CGD North America Finance LLC is entitled to issue notes for up to a total of amount of USD 2,000,000,000. The notes have a maximum maturity of 1 year and a minimum amount of USD 250,000. The notes may be issued at a discount or at par. All issuances are guaranteed by CGD.

(iii) Euro Medium Term Notes (EMTN)

CGD Group, through CGD (either directly or through its France and London Branches) and CGD Finance, are entitled to issue debt securities under this programme for a maximum of €15 billion. The France Branch guarantees all CGD Finance issuances.

Bonds may be issued in any currency with minimum maturities of one month and 5 years for non-subordinated and subordinated issuances, respectively. There are no maximum maturities on these operations.

These securities may be issued at a discount. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

(iv) Covered bonds

CGD initiated a covered bonds programme to be directly issued by CGD up to a current maximum amount of €15 billion, in November 2006. The bonds are backed by a mortgage loan portfolio which must, at any point of time, comply with the minimum conditions required by the regulations applicable to issuances of such assets, i.e. Decree Law 59/2006, *Official Notices* 5, 6, 7 and 8 and Bank of Portugal *Instruction* 13.

The bonds may be issued in any currency with a minimum term of 2 and a maximum of 50 years. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

These bonds entitle their holders to special credit rights – over any other creditors – on assets which have been set aside in the issuing entity's balance sheet to guarantee the debt and to which bondholders enjoy access in the event of insolvency.

Assets eligible for the constitution of an asset pool comprise mortgage loans for housing or commercial purposes in a European Union Member State or, alternatively, loans and advances to central governments or the regional and local authorities of one of the European Union Member States and loans with an express and legally binding guarantee upon such entities. Mortgage loans cannot exceed 80% of the mortgaged assets given as collateral as property for housing (60% for other property).

In accordance with the programme's issuance conditions, the following criteria must be complied with during the issuance period:

- The total nominal value of covered bonds in circulation may not exceed 95% of the total value of mortgage loans and other assets allocated to the referred to bonds;

- The average maturity of covered bonds issuances may not, for issuances as a whole, exceed the average life of the associated mortgage loans;

- The total amount of interest payable on the covered bonds may not, for issuances as a whole, exceed the amount of interest charged to borrowers of mortgage loans allocated to the referred to bonds;

- The present value of the covered bonds may not exceed the present value of the assets allocated to them, which ratio must be maintained for parallel shifts of 200 basis points on the yield curve.

The assets pool may also include autonomous assets for up to a maximum of 20% of its value, i.e. deposits with the Bank of Portugal or securities eligible for Eurosystem credit operations, *inter alia*, as defined by law.

The nominal value of covered bonds issued by Caixa at 30 June 2014 and 31 December 2013, totalled €6,901,450 thousand and €7,451,450 thousand, respectively, with the following characteristics:

DESIGNATION	Nominal		Date of issue	Date of redemption	Interest payment	Remuneration	Interest rate at 30-06-2014	Interest rate at 31-12-2013
	30-06-2014	31-12-2013						
Hipotecárias Série 1 2006/2016 1st tranche	1,256,450	1,256,450	06-12-2006	06-12-2016	Annually, on 6 December	Fixed rate	3.875%	3.875%
Hipotecárias Série 2 2007/2015 (*)	900,000	900,000	30-03-2007	30-09-2015	Half yearly, on 30 March and 30 September	6 month Euribor rate + 0.04%	0.456%	0.377%
Hipotecárias Série 4 2007/2022	250,000	250,000	28-06-2007	28-06-2022	Quarterly, on 28 March, June, September and December	3 month Euribor rate + 0.05%	0.259%	0.344%
Hipotecárias Série 6 2008/2016 (*)	-	200,000	27-02-2008	29-02-2016	Half yearly, on 27 February and 27 August	6 month Euribor rate + 0.16%	-	0.504%
Hipotecárias Série 7 2008/2016	150,000	150,000	31-03-2008	15-03-2016	Quarterly, on 15 March, June, September and December	3 month Euribor rate - 0.012%	0.230%	0.265%
Hipotecárias Série 1 2006/2016 2nd tranche	150,000	150,000	09-09-2008	06-12-2016	Annually, on 6 December	Fixed rate	3.875%	3.875%
Hipotecárias Série 8 2008/2038	20,000	20,000	01-10-2008	01-10-2038	Annually, on 1 October	Fixed rate	5.380%	5.380%
Hipotecárias Serie 9 15/09/2016	175,000	175,000	08-10-2009	15-09-2016	Half yearly, on 15 March and 15 September	6 month Euribor rate + 0.575%	0.980%	0.916%
Hipotecárias Série 10 2010/2020	1,000,000	1,000,000	27-01-2010	27-01-2020	Annually, on 27 January	Fixed rate	4.250%	4.250%
Hipotecárias Série 12 2011/2021 FRN (*)	-	350,000	28-04-2011	28-04-2021	Quarterly, on 28 January, April, July and October	3 month Euribor rate + 0.75%	-	0.975%
Hipotecárias Série 13 2011/2021 FRB (*)	-	750,000	28-04-2011	28-04-2021	Quarterly, on 28 January, April, July and October	3 month Euribor rate + 0.75%	-	0.975%
Hipotecárias Série 14 2012/2022 (*)	1,500,000	1,500,000	31-07-2012	31-07-2022	Quarterly, on 31 January, April, July and October	3 month Euribor rate + 0.75%	1.095%	0.978%
Hipotecárias Série 15 2013/2018	750,000	750,000	18-01-2013	18-01-2018	Annually, on 18 January	Fixed rate	3.750%	3.750%
Hipotecárias Série 16 2013/20189	750,000	-	15-01-2014	15-01-2019	Annually, on 15 January	Fixed rate	3.000%	-
	6,901,450	7,451,450						

(*) Issue fully repurchased by CGD. These securities are collaterising liquidity providing operations with the European Central Bank
(*) Issue which has been repaid during the first half of 2014

The assets pool used as collateral for the issuances includes mortgage loans made in Portugal with a book value of €9,500,876 thousand and €9,945,587 thousand respectively (Note 11), at 30 June 2014 and 31 December 2013.

The assets pool used as collateral for the issuances also comprised debt securities, with a book value of €130,850 thousand and €124,380 thousand respectively (Note 7), at 30 June 2014 and 31 December 2013.

The Moody's and Fitch ratings on these covered bonds, at 30 June 2014, were Baa2 and BBB, respectively.

(v) Bonds or the public sector

CGD initiated a programme for the issuance of bonds on the public sector up to a maximum amount of €5,000,000 thousand, in February 2009. The bonds are collateralised by a public sector loan portfolio which must, at any point of time, comply with the minimum conditions required by the regulations applicable to issuances of this type of instrument, i.e. Decree Law 59/2006, *Official Notices* 6, 7 and 8 and Bank of Portugal *Instruction* 13.

The bonds may be issued in any currency with a minimum term of 2 and maximum of 50 years. Fixed or variable-rate interest is payable on these issuances which may also be indexed to indices or shares.

These bonds entitle their holders to special credit rights – over any other creditors – to assets which have been set aside in the issuing entity's balance sheet to collateralise the debt and to which bondholders enjoy access, in the event of insolvency.

Assets eligible for the constitution of an assets pool comprise amounts owed by central governments or the regional and local authorities of one of the European Union member states and loans with an express and legally binding guarantee of central governments or the regional and local authorities of one of the European Union member states and other limited categories of assets over which the holders of bonds issued on the public sector have special legal credit rights.

In accordance with the issuance conditions defined by the programme, the following criteria must also be complied with during the period of the issuance:

- The total value of the mortgage loans and other assets allocated to bonds in circulation on the public sector must comprise a minimum 106.5% of the total nominal value of the referred to bonds;

- The average maturity of bond issuances on the public sector may not, for issuances as a whole, exceed the average lifetime of the mortgage loans allocated to them;

- The total amount of interest payable on the bonds on the public sector may not, for issuances as a whole, exceed the amount of interest charged to borrowers of mortgage loans allocated to the referred to bonds;

- The present value of bonds on the public sector may not exceed the present value of the asset allocations, which ratio must be maintained for parallel shifts of 200 basis points on the yield curve.

The asset pool may also include autonomous assets, up to a maximum of 20% of its value, namely deposits at the Bank of Portugal or securities eligible for Eurosystem credit and other operations defined by law.

The nominal value of bonds on the public sector, issued by Caixa at 30 June 2014 and 31 December 2013 totalled €800,000 thousand resulting from a bond issuance of 21 July 2009 with a 5 year maturity, at a fixed annual interest rate of 3.625%.

The assets pool used to collateralise the issuance comprises loans and advances to the public sector, made in Portugal, with a book value of €1,135,915 thousand and €1,215,109 thousand, at 30 June 2014 and 31 December 2013, respectively (Note 11).

Moody's and Fitch's ratings on these bond issuances on the public sector, at 30 June 2013, were Baa3 and BBB-, respectively.

Details on bond issuances, by type of interest and period to maturity, in the financial statements, at 30 June 2014 and 31 December 2013 are set out below:

	30-06-2014						
	Type of asset or underlying index used to calculate the remuneration				Covered bonds	Other bonds	Total
	Shares / Indexes	Exchange rate	Interest rate	Sub total			
Up to one year	41,000	3,661	465,654	510,315	-	664,550	1,174,865
One to five years	15,000	193,907	1,624,621	1,833,528	3,220,150	55,445	5,109,123
Five to ten years	-	18,891	241,945	260,836	1,244,400	6,336	1,511,572
Over ten years	-	115,207	10,000	125,207	20,000	-	145,207
	56,000	331,666	2,342,220	2,729,886	4,484,550	726,331	7,940,767

	31-12-2013						
	Type of asset or underlying index used to calculate the remuneration				Covered bonds	Other bonds	Total
	Shares / Indexes	Exchange rate	Interest rate	Sub total			
Up to one year	78,000	78,280	1,448,959	1,605,239	-	622,700	2,227,939
One to five years	36,000	193,750	1,705,915	1,935,665	2,471,650	22,405	4,429,720
Five to ten years	-	23,202	241,318	264,520	1,244,450	40,037	1,549,007
Over ten years	-	125,004	10,000	135,004	20,000	-	155,004
	114,000	420,236	3,406,192	3,940,428	3,736,100	685,142	8,361,670

Derivatives were contracted for to convert the amounts of most EMTN Programme issuances into euros and their respective interest into 3 or 6 month Euribor rates net of the addition or deduction of a spread.

The following issuances and redemptions of debts securities took place for the half years ended 30 June 2014 and 2013:

	Balance at 31-12-2013	Issues	Payments	Exchange differences	Other	Balance at 30-06-2014
Bonds issued under the EMTN programme	3,940,428	-	(1,211,974)	5,688	(4,256)	2,729,886
Covered bonds	3,736,100	750,000	-	-	(1,550)	4,484,550
Public sector bonds	622,700	-	-	-	41,850	664,550
Other cash bonds	62,442	-	-	(661)	-	61,781
Commercial paper issued under ECP and CCP programme	20,976	51,670	(20,976)	-	-	51,670
Securities issued under securitisation operations (Note 11)	223,118	-	(76,559)	-	-	146,560
	8,605,764	801,670	(1,309,509)	5,027	36,044	8,138,997

	Balance at 31-12-2012	Issues	Payments	Exchange differences	Other	Balance at 30-06-2013
Bonds issued under the EMTN programme	5,748,341	-	(1,248,574)	(51,216)	(102,805)	4,345,746
Covered bonds	3,001,450	750,000	-	-	(137,483)	3,613,967
Public sector bonds	617,150	-	-	-	(12,400)	604,750
Other cash bonds	23,654	44,555		273		68,482
Commercial paper issued under ECP and CCP programme	636,000	18,087	(636,000)	-	-	18,087
Certificates of deposit	22,738	-	(22,738)	-	-	-
Securities issued under securitisation operations	342,891	-	(90,921)	-	-	251,970
	10,392,224	812,642	(1,998,233)	(50,943)	(252,688)	8,903,002

21. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

Movements in provisions for employee benefits and for other risks, for the half years ended 30 June 2014 and 2013, were as follows:

	Balance at 31-12-2013	Additions	Reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2014
Provision for employee benefits	539,438	2,789	(8,293)	(13,143)	(76)	13,347	534,062
Provision for litigation	15,083	411	(1,503)	-	479	298	14,768
Provision for guarantees and other commitments	207,763	27,265	(1,993)	-	6	(321)	232,720
Provision for other risks and charges	118,961	10,239	(4,817)	(3,093)	(14)	4,437	125,713
	341,807	37,915	(8,313)	(3,093)	471	4,414	373,201
	881,245	40,704	(16,606)	(16,236)	395	17,761	907,263

	Balance at 31-12-2012	Additions	Reversals	Write-offs	Exchange differences	Transfers and other	Balance at 30-06-2013
Provision for employee benefits	549,950	3,473	(1,024)	(11,986)	(370)	12,915	552,958
Provision for litigation	24,134	889	(627)	(27)	(434)	287	24,222
Provision for guarantees and other commitments	193,490	27,356	(6,071)	-	37	41	214,853
Provision for other risks and charges	205,229	45,127	(6,165)	(5,007)	105	(5,175)	234,114
	422,854	73,372	(12,863)	(5,034)	(292)	(4,847)	473,190
	972,804	76,845	(13,887)	(17,020)	(662)	8,068	1,026,148

Provisions for other risks and liabilities cover contingencies arising from the Group's activity.

Provisions for legal contingencies comprise the Group's best estimate of any amounts to be spent on the resolution thereof, based on estimates of the Legal Department and its attendant lawyers.

The "Addition" and "Reversals" columns in provisions movements for employee benefits, legal contingencies and other risks, in first half 2013, include net costs of €25,934 thousand which were reclassified to "Results from subsidiaries held for sale" in profit and loss relative to the Group's insurance companies involved in a privatisation process (Note 12).

Contingent liabilities and commitments

Contingent liabilities associated with banking activity are recognised in off-balance sheet account headings, as follows:

	30-06-2014	31-12-2013
Contingent liabilities		
Assets given as collateral	17,056,184	21,411,996
Guarantees and sureties	4,052,583	4,264,031
Open documentary credits	406,145	469,238
Stand by letters of credit	38,166	58,148
Other contingent liabilities	-	105,198
	21,553,078	26,308,611
Commitments		
Revocable commitments	12,035,120	7,215,333
Securities subscription	2,864,350	2,110,894
Irrevocable lines of credit	1,341,906	1,535,594
Term liabilities relating to annual contributions to the Deposit Guarantee Fund	155,553	155,553
Term operations	127,921	97,705
Investor Compensation System	35,877	36,147
Forward deposit agreements		
Receivable	-	36,256
To be created	20,135	666
Other	121,253	132,316
	16,702,115	11,320,464
Deposit and custody of securities	51,860,250	52,379,010

Asset-backed guarantees are as follows:

	30-06-2014	31-12-2013
Debt Instruments		
Consigned resources		
EIB - European Investment Bank	967,600	976,500
Bank of Portugal (*)	15,843,436	20,186,353
Deposit Guarantee Fund	194,440	184,940
Royal Bank of Scotland	15,000	15,000
Investor Compensation System (futures)	28,695	28,695
Euronext	6,500	5,000
Other Assets		
European Central Bank	-	15,000
Other	513	508
	17,056,184	21,411,996

(*) Includes the securities portfolio associated with liquidity-taking with the European Central Bank, as well as the securities given to the Bank of Portugal as collateral, in the scope of the "Daily Market Credit Agreement" in the amount of EUR 500 million and other interbank money market transactions.

Asset-backed guarantees, at 30 June 2014 and 31 December 2013, refer to debt instruments classified as assets held for trading, available-for-sale financial assets and loans and advances to customers. The market value of debt instruments given as collateral, at 30 June 2014 and 31 December 2013, was €17,145,502 thousand and €21,189,671 thousand, respectively.

At 31 December 2013, the "Other asset-backed guarantees" account heading also referred to loans for the amounts of €15,000 thousand made by the Group as a guarantee to the European Central Bank.

The market value of securities collateralising the Group's term liabilities for annual contributions to the Deposit Guarantee Fund and Investors' Indemnity System was €231,490 thousand and €217,445 thousand, at 30 June 2014 and 31 December 2013, respectively.

The object of the Deposit Guarantee Fund is to guarantee customers' deposits in conformity with the limits defined by the General Credit Institutions Regime to which regular annual contributions are made. In past years a part of the liabilities took the form of an irrevocable commitment to make the referred to contributions when requested by the Fund, with the amount not being recognised as a cost. Commitments assumed since 1996 total €155,553 thousand. At 30 June 2014 and 2013, the Group recognised changes of €9,574 thousand and €9,303 thousand, respectively for its annual contribution to the Deposit Guarantee Fund.

Asset-backed guarantees are not available for the Group's free use and are recognised at their nominal value in off-balance sheet accounts.

In 2009, CGD was notified by the Portuguese Tax Authorities of their inspection report for 2005 on an adjustment of €155,602 thousand to income for the year. In addition to other situations, the referred to amount included an adjustment of €135,592 thousand owing to the fact that Caixa had benefited from the full elimination of double taxation on its share of Caixa Brasil SGPS, S.A.'s results in the said period. Caixa contested the referred to adjustment, considering that the procedure adopted by it was in compliance with the fiscal legislation in force, as it was in possession of data enabling it to show that Caixa Brasil, SGPS S.A.'s earnings were subject to taxation. No provision for the said adjustment was therefore made in the financial statements at 30 June 2014 and 31 December 2013.

As a result of these fiscal executive procedures on the referred to past adjustments made by the Tax Authorities, in 2010, Caixa constituted a surety deposit for the suspension of the tax settlement procedure. The referred to surety deposit for the amount of €50,282 thousand, was recognised in "Other assets – debtors and other applications – other debtors" account heading (Note 17).

22. TECHNICAL PROVISIONS FOR INSURANCE CONTRACTS

In the framework of the Group's insurance companies' privatisation process, the balances of such businesses associated with technical provisions for insurance contracts were reclassified, in 2013, to "Non-current liabilities held for sale". Information on the composition of these liabilities in 2013 is set out in the following table:

	31-12-2013		
	Balances classified in "Technical provisions for insurance contracts"	Balances classified in "Non-current liabilities held for sale" (Note 12)	Total
Caixa Seguros			
Direct insurance and inwards reinsurance:			
Life insurance:			
Mathematical provision:			
Insurance contracts	-	230,037	230,037
Insurance contracts with discretionary profit sharing	-	1,527,027	1,527,027
	-	1,757,064	1,757,064
Provision for profit sharing	-	102,173	102,173
Provision for unearned premiums	-	1,502	1,502
Provision for claims:			
Reported claims	-	92,452	92,452
Unreported claims (IBNR)	-	16,008	16,008
	-	108,460	108,460
Other technical provisions			
Provision for commitments to rate	-	6,506	6,506
Provision of stabilization of portfolio	-	23,546	23,546
	-	30,052	30,052
Total life insurance	-	1,999,251	1,999,251
Non-life insurance:			
Provision for unearned premiums	-	264,012	264,012
Provision for claims:			
Reported claims	-	1,654,352	1,654,352
Unreported claims (IBNR)	-	79,518	79,518
	-	1,733,870	1,733,870
Provision for risks in progress	-	41,011	41,011
Other technical provisions			
Provision for profit sharing	-	94	94
Total non-life insurance	-	2,038,987	2,038,987
Total life and non-life insurance	-	4,038,238	4,038,238
Other provisions for the insurance activity	-	16,808	16,808
Subtotal Caixa Seguros	-	4,055,046	4,055,046
Garantia	10,108	-	10,108
Total	10,108	4,055,046	4,065,154

23. OTHER SUBORDINATED LIABILITIES

This account heading comprises the following:

	30-06-2014	31-12-2013
Bonds	2,488,051	2,489,653
Loans	21,209	21,209
	2,509,260	2,510,862
Interest payable	45,857	45,783
Deferred income net of charges	(29,397)	(32,780)
Adjustment to liabilities under hedging operations	(286)	(165)
	2,525,434	2,523,700

At 29 June 2012, CGD issued €900,000 thousand in hybrid financial instruments eligible as Core Tier 1 own funds, fully subscribed for by the Portuguese state (conditions defined in Ministerial Order 8840-C/2012 of 28 June 2012). These bonds are convertible into shares in the following circumstances:

- CGD's full or part cancellation or suspension of the payment of interest on the hybrid financial instruments;
- A materially relevant breach of the recapitalisation plan;
- CGD's failure to repurchase the full amount of the hybrid financial instruments up to the end of the investment period (five years);
- Exercising of conversion rights specified by the state in the issuance conditions;
- If the hybrid financial instruments cease to be eligible as Core Tier 1 own funds.

The following is a summary of the conditions attached to the main issuances:

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2014	Book value at 31-12-2013	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Capital Core Tier 1 capital instruments subscribed by the State	EUR	900,000	900,000	900,000	29-06-2012	29-06-2017	1st year 8.5%, 2nd year 8.75%, 3rd year 9%, 4th year 9.5% and 5th year 10%. Half yearly interest payment on 29 June and December.	The redemption option can be made at any time, with prior authorisation of the Bank of Portugal.
Caixa Geral de Depósitos	Step Up Switchable Subordinated Notes due May 2019	EUR	538,552	536,729	536,729	11-05-2009	13-05-2019	12 month Euribor rate + 1.15%. If there is no early redemption, 12 month Euribor rate + 1.65%. Annual interest payment on 11 May.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 11 May 2014.
Caixa Geral de Depósitos	Caixa Subordinadas CGD 2008/2018 (1st issue)	EUR	369,045	368,522	368,522	03-11-2008	05-11-2018	2nd year, 12 month Euribor rate + 0.125%; 3rd year, 12 month Euribor rate + 0.250%, 4th year, 12 month Euribor rate + 0.500% and 5th year, 12 month Euribor rate + 1.00%. If there is no early redemption, 12 month Euribor rate + 1.50%. Annual interest payment on 3 November.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	125,000	125,000	125,000	27-12-2007	27-12-2017	5.733%. If there is no early redemption, 3 month Euribor rate + 1.70%. Annual interest rate payment on 27 December. Quarterly interest payment on 27 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 27 December 2012.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	120,000	104,720	104,720	17-12-2007	17-12-2017	3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption . Quarterly interest payment on 17 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 17 December 2012.
CGD (Sucursal de França)	Floating Rate Undated Subordinated Notes	EUR	110,000	209	209	18-12-2002	Perpétuo	3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. Quarterly interest payment on 18 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012.

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2014	Book value at 31-12-2013	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Lower Tier 2 due March 3, 2028	EUR	100,000	100,000	100,000	03-03-2008	03-03-2028	5.980%. Annual interest payment on 3 March.	N/A.
Caixa Geral de Depósitos	Caixa Subordinadas CGD 2007/2017 (2nd issue)	EUR	81,595	81,245	81,245	12-11-2007	13-11-2017	1st year 5.00%, 2nd year 5.50%, 3rd year 6.00%, 4th and 5th years 7.50% and 10%, if the weight of all underlying assets is over its initial value, otherwise it will pay 0.00%. 3 month Euribor rate + 0.7%, if there is no early redemption. Annual interest payment on 12 November. Quarterly interest payment on 12 February, May, August and November (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from the 5th year.
Caixa Geral de Depósitos	Floating Rate Notes due December 2017	EUR	50,000	50,000	50,000	28-12-2007	28-12-2017	3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption . Quarterly interest payment on 28 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 28 December 2012.
CGD (Sucursal de França)	Floating Rate Notes	EUR	21,000	21,000	21,000	14-07-2005	28-06-2016	6 month Euribor rate + 0.22%. Half yearly interest payment on 28 June and December.	N/A.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes due July 2017	EUR	20,000	20,000	20,000	30-07-2007	31-07-2017	1st coupon 21.00%. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2008. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes due July 2017	EUR	20,000	20,000	20,000	30-07-2007	31-07-2017	1st coupon 21.50%. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2009. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2014	Book value at 31-12-2013	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Fixed to Floating Rate Notes due July 2017	EUR	20,000	20,000	20,000	30-07-2007	31-07-2017	1st coupon 22.00%. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2010. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fund Linked to Floating Rate Notes due July 2017	EUR	20,000	20,000	20,000	30-07-2007	31-07-2017	1st coupon indexed to Fundo Caixagest Ações Portugal. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2011. Quarterly interest payment on 30 October, January, April and July (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fund Linked to Floating Rate Notes due July 2017	EUR	20,000	20,000	20,000	30-07-2007	31-07-2017	1st coupon indexed to Fundo Caixagest Ações Portugal. 3 month Euribor rate + 0.65%, if there is no early redemption. Interest payment on 30 July 2012. Interest payment on 30 October, January, April and July (if there is no early redemtion).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 30 July 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6,000	6,000	6,000	03-12-2007	04-12-2017	1st coupon 22.50%.3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2008. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6,000	6,000	6,000	03-12-2007	04-12-2017	1st coupon 23.00%. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2009. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2014	Book value at 31-12-2013	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Caixa Geral de Depósitos	Fixed to Floating Rate Notes December 2017	EUR	6,000	6,000	6,000	03-12-2007	04-12-2017	1st coupon 23.50%. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2010. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fund Linked to Floating Rate Notes December 2017	EUR	6,000	6,000	6,000	03-12-2007	04-12-2017	1st coupon indexed to Fundo Caixagest Ações Oriente. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 5 December 2011. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
Caixa Geral de Depósitos	Fund Linked to Floating Rate Notes December 2017	EUR	6,000	6,000	6,000	03-12-2007	04-12-2017	1st coupon indexed to Fundo Caixagest Ações Oriente. 3 month Euribor rate + 0.85%, if there is no early redemption. Interest payment on 3 December 2012. Quarterly interest payment on 3 March, June, September and December (if there is no early redemption).	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 3 December 2012.
CGD Finance	Floating Rate Undated Subordinated Notes	EUR	110,000	771	771	18-12-2002	Perpétuo	3 month Euribor rate + 1.30%. 3 month Euribor rate + 2.80%, if there is no early redemption. Quarterly interest payment on 18 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 18 December 2012.
CGD Finance	Floating Rate Notes due December 2017	EUR	55,000	55,000	55,000	17-12-2007	17-12-2017	3 month Euribor rate + 1.08%. 3 month Euribor rate + 1.58%, if there is no early redemption. Quarterly interest payment on 17 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 17 December 2012.
CGD Finance	Floating Rate Notes due 2016	USD	265,000	16,437	16,278	06-12-2006	20-12-2016	3 month Libor rate + 0.25%. 3 month Libor rate + 0.75%, if there is no early redemption. Quarterly interest payment on 20 March, June, September and December.	With prior authorisation of the Bank of Portugal in the payment date of the coupons as from 20 December 2011.

Issuer	Bonds	Currency	Value of issue	Book value at 30-06-2014	Book value at 31-12-2013	Date of issue	Date of redemption	Interest rate/ payment	Early redemption clause
Banco Comercial e de Investimentos	Subordinanted bonds BCI 2008-2018	MZN	216,000	4,667	4,888	16-10-2008	16-10-2018	1st coupon 15.25%. Following coupons indexed to the average weighted rate of the last six Treasury Bills issues with maturities equal or over 90 days, plus 1%. Quarterly interest payment on 16 January, April, July and October.	The issuer has an early redemption option, in full or in part, at par, by reduction from nominal value at the date of the 2nd period of calculation of interest and subsequently, at each interest payment date.
Banco Comercial do Atlântico	Bonds BCA Crescente 2017	CVE	500,000	3,164	3,617	17-12-2010	17-12-2017	1st and 2nd years 5.75%, 3rd and 4th years 5.85%, 5th and 6th years 6% and 7th year 6.25%. Half yearly interest payment on 17 June and December.	The issuer has an early redemption option at nominal value of outstanding debt, applicable as from the 5th coupon, and from this date onwards, every six months, with a 0.5% premium payment over the nominal value of the bonds that would be amortised in subsequent periods.
Banco Interatlântico	Bonds BI 2014	CVE	500,000	4,119	3,910	08-07-2008	08-07-2018	6 month Euribor rate + 0.9% until the 2nd coupon. 6.0% until July 2013 . From this date on, the rate of the last five year Treasury Bonds issue + 0,5%. Half yearly interest payment on 8 January and July.	The issuer has an early redemption option at nominal or partly value of the outstanding debt at the end of the 1st year and, after this date, every six months, with a 0.5% premium payment over the nominal value of the bonds that would be amortised in subsequent periods.
Banco Comercial e de Investimentos	Subordinated loan IFC	USD	8,500	4,970	6,250	20-03-2009	15-06-2015	3 month Libor rate + 3.00% + 0.5% , if contractual conditions are fulfilled.Quarterly interest payment on 15 March, June, September and December.	The issuer (BCI) has an early redemption option, in full or part, at any interest payment date on 15 December 2009 or after this date, with at least 30 days advance notice to IFC.
Banco Comercial e de Investimentos	Subordinated loan BPI	USD	3,704	2,707	2,723	30-07-2008	30-07-2018	3 month Libor rate + 3.00%. Quarterly interest payment on 30 January, April, July and October.	Early redemption of principal, in full or part, may only occur at BCI's initiative and with prior authorisation of the Bank of Mozambique.

24. OTHER LIABILITIES

This account heading comprises the following:

	30-06-2014	31-12-2013
Creditors		
Consigned resources	706,000	775,705
Suppliers of finance leasing assets	9,288	15,700
Other suppliers	34,778	69,993
Resources - collateral account	239,770	214,198
Resources - subscription account	57,674	40,774
Resources - secured account	10,701	2,962
Other creditors:		
Creditors for factoring ceded	23,389	22,421
Caixa Geral de Aposentações	8,511	3,892
CGD's Pension Fund	22,249	141
Creditors for futures contracts	23,973	26,464
Creditors for operations on securities	133	133
Other	1,093,398	1,062,700
Other liabilities:		
Notes in circulation - Macau (Note 17)	499,898	469,364
Withholding taxes	60,004	50,061
Social Security contributions	13,009	11,600
Other taxes payable	12,129	13,255
Collections on behalf of third parties	334	361
Other	29,407	17,836
Accrued costs	216,627	236,237
Deferred income	60,453	64,396
Liabilities pending settlement	283,623	378,613
Stock exchange operations	92,698	-
	3,498,045	3,476,806

The "Resources – collateral account" heading at 30 June 2014 and 31 December 2013, included €224,003 thousand and €195,393 thousand respectively relating to interest rates swap (IRS) contracts deposits made in CGD by several financial institutions.

25. CAPITAL

At 30 June 2014 and 31 December 2013, CGD's share capital was totally held by the Portuguese state, as follows:

	30-06-2014	31-12-2013
Number of shares	1,180,000,000	1,180,000,000
Unit price (Euros)	5	5
Share capital	5,900,000,000	5,900,000,000

26. RESERVES, RETAINED EARNINGS AND RESULTS ATTRIBUTABLE TO THE SHAREHOLDER CGD

Reserves and retained earnings, at 30 June 2014 and 31 December 2013, were as follows:

	30-06-2014	31-12-2013
Fair value reserve, net of deferred tax		
- Current activity		
Available-for-sale financial assets (Note 8)	365,121	3,539
Assets with repurchase agreement	8,411	2,246
	373,532	5,785
- Non-current activity		
Available-for-sale financial assets (Note 12)	-	204,819
Held-to-maturity investments	-	(146,657)
	-	58,161
	373,532	63,947
Other reserves and retained earnings		
- Legal reserve - CGD	862,906	862,906
- Other reserves	1,292,555	632,413
- Retained earnings	(2,252,514)	(1,082,079)
	(97,053)	413,240
Net income attributable to the shareholder of CGD	129,916	(578,890)
	406,395	(101,703)

According to CGD's articles of association a minimum of 20% of its annual results must be transferred to the legal reserve. This reserve may only be used to cover accumulated losses or to increase capital.

"Other reserves and retained earnings" at 30 June 2014 and 31 December 2013, included CGD's legal reserves for the amount of €862,906 thousand and the legal, free reserves and legal revaluation reserves of its subsidiaries, jointly controlled entities and associates. The legal revaluation reserves may only be used to cover accumulated losses or increase capital. CGD's non distributable reserves for this reason totalled €110,425 thousand in compliance with the following legislation:

Tangible fixed assets	
Decree-Law nº 219/82, of 2 June	1,752
Decree-Law nº 399 - G/84, of 28 December	1,219
Decree-Law nº 118 - B/86, of 27 May	2,304
Decree-Law nº 111/88, of 2 April	8,974
Decree-Law nº 49/91, of 25 January	22,880
Decree-Law nº 264/92, of 24 November	24,228
Decree-Law nº 31/98, of 11 February	48,345
Financial fixed assets	723
	110,425

The "Fair value reserve" recognises unrealised capital gains and losses on available-for-sale financial assets and assets with repurchase agreements as a charge to shareholders' equity, net of the corresponding fiscal effect.

The currency translation reserve, which recognises the effect of translating subsidiaries' statements in foreign currency, is included in "Other reserves".

The net contribution made by branches and subsidiaries to CGD's consolidated results, at 30 June 2014 and 31 December 2013 was as follows:

	30-06-2014	30-06-2013
Caixa Geral de Depósitos, S.A.		
Caixa Geral de Depósitos	(191,585)	(189,137)
France Branch	(25,183)	8,710
Spain Branch	(13,980)	(73,207)
Cayman Branch	(10,566)	(9,510)
London Branch	4,823	(1,195)
East Timor Branch	1,362	3,026
Macau Branch	1,225	50
Luxembourg Branch	(1,019)	(1,825)
New York Branch	980	(719)
Zhuhai Branch	(3)	(48)
Madeira Offshore Financial Branch	-	80
	(233,947)	(263,774)

	30-06-2014	30-06-2013
Contribution of subsidiaries to results:		
Caixa Seguros e Saúde, SGPS, S.A. (a) (b)	283,319	69,538
Caixa – Banco de Investimento, S.A. (a)	32,922	13,997
Banco Nacional Ultramarino, S.A. (Macau)	19,456	18,744
Banco Caixa Geral, S.A.	11,987	(9,609)
Caixa Imobiliário, S.A.	(8,947)	(14,702)
Cibergradual, Investimento Imobiliário, S.A.	(8,145)	(204)
Banco Caixa Geral Totta Angola, S.A.	7,414	6,987
Banco Comercial e de Investimentos, S.A.R.L.	6,378	6,916
Mercantile Bank Holdings, Ltd.	3,946	5,964
Caixagest Private Equity - Fundo Especial de Investimento	3,242	4,066
Parcaixa, SGPS, S.A.	3,191	4,286
Fundimo - Fundo de Investimento Imobiliário Aberto	2,998	2,637
Fundo de Capital de Risco – Grupo CGD	2,898	738
CGD Investimentos CVC, S.A.	(2,589)	(1,809)
Fundger - Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	2,549	2,083
Caixa Leasing e Factoring – Instituição Financeira de Crédito, S.A.	(2,458)	(15,222)
Ibéria - Fundo Especial de Investimento Imobiliário Fechado	(2,384)	-
Caixagest Imobiliário Internacional - Fundo Especial de Investimento	1,976	5,905
Fundiestamo - Fundo de Investimento Imobiliário Fechado	1,919	1,809
Beirafundo - Fundo de Investimento Imobiliário Fechado	(996)	(2,072)
Caixagest Infra-Estruturas - Fundo Especial de Investimento	874	2,264
Inmobiliaria Caixa Geral, S.A.U.	(713)	(7,514)
Parbanca, SGPS, S.A.	417	496
Wolfpart, SGPS, S.A.	(23)	(15,392)
Imocaixa - Gestão Imobiliária, S.A.	(19)	(3,120)
Other	727	2,305
	359,942	79,093
Contribution of associates and jointly controlled entities to net results:		
SIBS – Sociedade Interbancária de Serviços, S.A.	2,229	912
Locarent, S.A.	837	911
Torre Ocidente, Imobiliária, S.A.	(99)	(406)
Fundo Turismo	349	292
Other	606	254
	3,921	1,963
Consolidated results attributable to the shareholder of CGD	129,916	(182,718)

(a) Data taken from the consolidated financial statements.

(b) Includes the appropriation of 20% of Fidelidade, Multicare and Cares results after the completion of the sale of a majority stake in these companies in May 2014

As stated in greater detail in Note 3, after obtaining the necessary legal and statutory approvals, CGD – Sucursal Offshore de Macau could initiated its operations at 1 February 2013, managing resources hitherto managed by CGD – Subsidiária Offshore de Macau.

A resolution was passed, in December 2013, to close down the Madeira offshore branch, in consideration of the fact that its operations had been discontinued following the term of the special regime for financial entities licensed to operate in the Madeira Free Trade Zone.

Appropriation of results for the year

2012

A resolution was passed by the General Meeting of Shareholders, held in May 2013, to include €679,067 thousand in losses, made in 2012, in the "Other reserves and retained earnings".

2013

A resolution was passed by the General Meeting of Shareholders, held in May 2014, to include €1,090,515 thousand in losses, made in 2013, in the "Other reserves and retained earnings"

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27. NON-CONTROLLING INTERESTS

Third party investments in subsidiaries are distributed among the following entities:

	30-06-2014	31-12-2013
Parcaixa, SGPS, S.A. (b)	481,116	482,043
Banco Caixa Geral Totta Angola, S.A.	123,981	121,175
Caixa Geral Finance	96,249	96,248
Banco Comercial e de Investimentos, S.A.R.L.	72,331	73,974
Partang, SGPS, S.A.	68,961	61,376
Fundiestamo - Fundo de Investimento Imobiliário Fechado	32,575	32,350
Caixa Arrendamento - Fundo de Investimento Imobiliário de Arrendamento Habitacional	14,055	259
Banco Comercial do Atlântico, S.A.R.L.	10,041	6,914
Banco Interatlântico, S.A.R.L.	4,394	4,283
A Promotora - Sociedade de Capital de Risco, S.A.R.L.	1,580	1,189
Banco Caixa Geral, S.A.	1,010	925
Caixa Seguros e Saúde, SGPS, S.A. (a)	-	2,887
Other	(3,793)	1,744
	902,500	885,367

(a) Data taken from the consolidated financial statements
(b) Includes the activity of Caixa Leasing e Factoring – IFIC, S.A.

Caixa Geral Finance, with a share capital of €1,000, is headquartered in the Cayman Islands. The company issued €250,000 thousand non-voting preference shares at 28 June 2004. If its directors decide to pay dividends, a quarterly dividend equivalent to annual interest at 3 month Euribor rate plus 0.8% up to 28 June 2014 and 1.8% thereafter, will be paid to shareholders. Caixa Geral Finance may redeem the preference shares, in part or in full, from 28 June 2014, at their nominal price of €1,000 per share plus the monthly payment of dividends accrued since the last payment.

Caixa Geral Finance issued €350,000 thousand in non-voting preference shares at 30 September 2005. If a decision is made to pay dividends, a quarterly dividend equivalent to annual interest at 3 month Euribor rate plus 0.77% up to 30 September 2015 and 1.77% thereafter, will be paid to shareholders. Caixa Geral Finance may redeem the preference shares, in part or in full, from 30 September 2015, at their nominal amount of €50 per share, plus the monthly payment of dividends accrued since the last payment.

During the course of its activity, the Group repurchased preference shares issued by Caixa Geral Finance for an accumulated amount of €505,166 thousand, at 30 June 2014 and 31 December 2013.

Information on the amount of consolidated results attributable to non-controlling interest shareholders, at 30 June 2014 and 2013, is set out below:

	30-06-2014	30-06-2013
Banco Caixa Geral Totta Angola, S.A.	21,249	20,040
Banco Comercial e de Investimentos, S.A.R.L.	6,065	6,645
Parcaixa, SGPS, S.A. (a)	2,758	(8,420)
Banco Comercial do Atlântico, S.A.R.L.	860	(190)
Fundiestamo - Fundo de Investimento Imobiliário Fechado	544	513
Other	(521)	1,394
	30,955	19,982

(a) Includes the activity of Caixa Leasing e Factoring – IFIC, S.A.

28. INTEREST AND INCOME AND INTEREST AND SIMILAR COSTS

These account headings comprise the following:

	30-06-2014	30-06-2013
Interest and similar income		
Interest on loans and advances to domestic credit institutions	6,488	10,538
Interest on loans and advances to foreign credit institutions	11,119	12,053
Interest on domestic credit	628,376	649,147
Interest on foreign credit	268,176	289,545
Interest on overdue credit	19,172	21,302
Interest on financial assets held for trade		
- Derivatives	370,447	376,780
- Securities	11,147	10,679
Interest on financial assets at fair value through profit or loss	886	1,947
Interest on available-for-sale financial assets	226,258	237,084
Interest on hedging derivatives	11,689	13,570
Interest on debtors and other applications	7,134	7,616
Interest on cash equivalents	5,675	7,222
Interest on other loans and other amounts receivable	84,815	94,106
Other interest and similar income	3,601	1,566
Commissions received relating to amortised cost	66,804	58,464
	1,721,788	1,791,616
Interest and similar costs		
Interest on deposits of		
- Central and local government	3,857	5,811
- Other residents	418,473	461,767
- Emigrants	27,586	27,536
- Other non-residents	132,228	152,275
- Other	301	1,388
Interest on resources of foreign credit institutions	21,028	26,460
Interest on resources of domestic credit institutions	14,684	37,604
Interest on swaps	354,868	379,725
Interest on other trading liabilities	14,285	6,284
Interest on unsubordinated debt securities	174,921	237,378
Interest on hedging derivatives	2,217	2,144
Interest on subordinated liabilities	61,822	76,604
Other interest and similar costs	10,784	8,620
Commissions paid relating to amortised cost	3,507	3,575
	1,240,560	1,427,172

The "Interest and similar costs - interest on subordinated liabilities" account heading at 30 June 2014 and 2013 included €39,938 thousand and €39,763 thousand, respectively, on CGD's issuance of a total amount of €900 million in hybrid financial instruments, eligible as Core Tier 1 own funds, at 29 June 2012. These securities were fully subscribed for by the Portuguese state (Note 23).

29. INCOME FROM EQUITY INSTRUMENTS

This account heading comprises the following:

	30-06-2014	30-06-2013
ADP - Águas de Portugal, S.A.	5,985	4,465
EDP - Energias de Portugal, S.A.	5,202	7,571
Portucel S.A.	1,040	18
REN - Redes Energéticas Nacionais, SGPS, S.A.	1,004	1,064
Ascendi Beiras Litoral e Alta, A.E.B.L.A., SA	286	1,203
Portugal Telecom, SGPS, S.A.	29	20,865
Income received from investments funds	11,322	15,215
Other	3,120	2,542
	27,987	52,942

30. INCOME AND COSTS OF SERVICES AND COMMISSIONS

These account headings comprise the following:

	30-06-2014	30-06-2013
Income from services rendered and commissions:		
Means of payment	114,024	113,747
Operations carried out on behalf of third parties	65,100	70,492
Credit operations	69,194	73,024
Asset management	20,966	17,729
Guarantees given	35,491	41,435
Operations on financial instruments	10,949	13,247
Other	7,686	15,160
	323,410	344,833
Cost of services and commissions:		
Means of payment	48,961	50,681
Operations carried out on behalf of third parties	6,506	7,313
Credit operations	12	49
Asset management	4,026	3,570
Guarantees received	174	223
Operations on financial instruments	9,233	8,529
Other	3,118	4,270
	72,030	74,635

31. RESULTS FROM FINANCIAL OPERATIONS

These account headings comprise the following:

	30-06-2014	30-06-2013
Result from foreign exchange operations:		
Revaluation of foreign exchange position	6,386	23,279
Results from currency derivatives	22,789	23,989
	29,175	47,268
Result from financial assets and liabilities held for trading:		
Securities:		
Debt instruments	7,975	(7,666)
Equity instruments	(2,870)	(13,020)
Other instruments	909	878
	6,014	(19,809)
Derivatives:		
Interest rate	(119,974)	59,803
Shares and indexes	(3,923)	1,884
Credit default	643	1,980
Other	9,225	1,252
	(114,029)	64,919
	(108,014)	45,110

(cont)	30-06-2014	30-06-2013
Result from other financial assets at fair value through profit or loss		
Debt instruments	487	(7,233)
Equity instruments	2,439	171
Other securities	20,327	578
Loans and other amounts receivable	(79)	(128)
	23,174	(6,611)
Result from the sale of loans and advances to customers	(896)	(424)
Result from available-for-sale financial assets:		
Debt instruments	220,449	75,839
Equity instruments		
Banco Comercial Português (Note 8)	6,933	-
EDP - Energias de Portugal (Note 8)	1,903	-
Banco Comercial Português	-	5,201
EDP - Energias Nacionais (Nota 8)	-	390
Other	49	56
	8,885	5,648
	229,334	81,487
Other securities	3,037	6,022
	232,371	87,509
Result of hedging operations:		
Hedging derivatives	60,912	(13,858)
Value adjustments of hedged assets and liabilities	(61,433)	15,254
	(522)	1,396
Other	(9,085)	9,470
	166,203	183,718

The "Results from foreign exchange operations – revaluation of foreign exchange position" account heading at 30 June 2013, included €2,695 thousand from the Group's sale of its equity stake in BPD (Note 14).

During the course of the six months ended 30 June 2014, the Group disposed of a total amount of approximately €11,022 thousand of loans and advances to customers. These transactions resulted in capital losses of €896 thousand in the period.

32. OTHER NET OPERATING INCOME

These account headings comprise the following:

	30-06-2014	30-06-2013
Other operating income:		
Rendering of services	16,304	17,443
Expense reimbursement	2,653	2,444
Gains on subsidiaries and jointy controlled entities	-	5,909
Lease income under operating lease agreements	30,943	28,307
Gains on non-financial assets:		
- Non-current assets held for sale	7,867	9,719
- Other tangible assets	4,258	333
- Investment property	10,604	3,236
- Other	216	125
Secondment of employees to Caixa Geral de Aposentações	758	692
Sale of cheques	6,640	10,414
Other	31,947	26,522
	112,190	105,144
Other operating costs:		
Donations and subscriptions	3,745	2,808
Losses on non-financial assets:		
- Non-current assets held for sale	19,306	19,750
- Other tangible assets	1,524	215
- Investment property	36,681	6,796
- Other	39	101
Other taxes	11,398	23,499
Contribution to the Deposit Guarantee Fund	9,574	9,303
Contribution to the Resolution Fund	4,987	4,719
Fines and penalties	443	3,200
Other	26,018	21,872
	113,716	92,262
	(1,526)	12,882

At 30 June 2013, all of the "Gains on subsidiaries and jointly controlled entities" account heading comprised proceeds from the Group's sale of its equity stake in BPD (Note 14).

The Resolution Fund was created by Decree Law 31-A/2012 of 10 February which introduced a resolution regime in the General Credit Institutions and Financial Companies Regime approved by Decree Law 298/92 of 31 December.

The measures provided for in the new regime have been designed, as the case may be, to recover or prepare the orderly liquidation of credit institutions and certain financial companies in a difficult financial situation and comprise three intervention stages by the Bank of Portugal, in the form of corrective intervention, provisional administration and resolution.

The Resolution Fund's main mission, herein, is to provide financial support to the application of the resolution mechanisms adopted by the Bank of Portugal.

33. STAFF COSTS

This account heading comprises the following:

	30-06-2014	30-06-2013
Remuneration of management and supervisory bodies	6,167	6,519
Remuneration of staff	260,603	283,458
	266,770	289,976
Other charges relating to remuneration	20,875	22,094
Healthcare - CGD		
- Normal cost	12,275	27,788
- Contributions relating to current staff	12,117	1,508
Pension liability - CGD		
- Normal cost	23,653	30,194
Other pension costs		
Other	1,974	2,564
Other mandatory social charges	6,667	6,988
	77,562	91,136
Other staff costs	8,209	7,257
	352,542	388,369

The average number of employees in Caixa and its subsidiaries, for the half years ended 30 June 2014 and 2013 by type of function, was as follows:

		30-06-2013		
	Group	Banking	Insurance and health care	Group
Senior management	526	519	101	620
Management	2,803	2,849	560	3,409
Technical staff	5,112	5,125	1,373	6,498
Administrative staff	6,947	7,213	1,500	8,713
Auxiliary	351	379	50	429
	15,739	16,085	3,586	19,671
Number of employees at the end of the period	15,862	16,147	3,640	19,787

These numbers, at 30 June 2014 and 2013 and 2012, did not include employees belonging to the Caixa Geral de Aposentações Support Department (246 and 261 respectively), employees assigned to CGD's social services (66 in both periods) and other situations i.e. secondments or extended absences (94 and 90 respectively).

34. OTHER ADMINISTRATIVE COSTS

This account heading comprises the following:

	30-06-2014	30-06-2013
Specialised services		
- IT services	40,595	36,986
- Studies and consultancy	2,458	2,083
- Contracts and service fees	3,126	1,931
- Cleaning	3,840	3,938
- Safety and security	5,339	5,212
- Information services	3,247	3,154
- Other	43,264	41,711
Leases	38,122	38,455
Advertising and publications	11,557	10,671
Communications and postage	15,951	19,984
Maintenance and repairs	15,192	15,035
Water, energy and fuel	11,463	11,162
Transport of cash and other values	5,555	5,370
Travel, lodging and representation expenses	5,076	5,979
Standard forms and office supplies	4,189	4,249
Other	10,061	10,690
	219,036	216,609

35. ASSET IMPAIRMENT

Information on impairment movements for the half years ended 30 June 2014 and 2013 is set out below:

	Balances at 31-12-2013	Addition	Reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2014	Credit recovery, interest and expenses
Impairment of loans and advances to customers (Note 11)	4,512,411	2,176,972	(1,789,557)	(90,322)	494	78,964	4,888,962	(12,277)
Impairment of loans and advances to credit institutions (Note 6)	11,996	2,895	(1,383)	-	(33)	2	13,477	
Impairment of available-for-sale financial assets (Note 8)								
Equity instruments	89,968	-	-	(35)	18	353	90,304	
Debt instruments	835	6	-	-	-	-	840	
Other instruments	153,081	5,531	-	-	3,432	7,801	169,845	
Impairment of other tangible assets	6,818	-	(184)	-	-	-	6,635	
Impairment of intangible assets	239	-	-	-	-	-	239	
Impairment of non-current assets held for sale								
Property and equipment (Note 12)	334,555	56,162	(40,696)	(7,252)	7	(26)	342,750	
Impairment of other assets (Note 17)	235,247	20,858	(21,568)	(5,438)	(114)	(18,887)	210,098	
	832,739	85,452	(63,831)	(12,725)	3,310	(10,757)	834,188	-
	5,345,150	2,262,423	(1,853,387)	(103,047)	3,804	68,207	5,723,150	(12,277)

	Balances at 31-12-2012	Addition	Reversals	Write-offs	Exchange differences	Transfers and other	Balances at 30-06-2013	Credit recovery, interest and expenses
Impairment of loans and advances to customers	4,189,393	1,674,699	(1,289,294)	(151,717)	(3)	13,458	4,436,537	(13,466)
Impairment of loans and advances to credit institutions	12,413	1,939	(1,380)	-	(75)	(52)	12,845	
Impairment of available-for-sale financial assets								
Equity instruments	526,964	32,057	-	(70,392)	-	17	488,645	
Debt instruments	12,794	6	(26)	(9,388)	42	-	3,428	
Other instruments	165,158	12,945	-	(2,090)	(7)	(179)	175,826	
Impairment of other tangible assets	14,026	-	(2,838)	(43)	-	29	11,174	
Impairment of intangible assets	1,196	-	-	-	-	-	1,196	
Impairment of non-current assets held for sale								
Property and equipment	234,867	61,470	(18,155)	(2,793)	-	1,634	277,024	
Impairment of other assets	207,814	29,594	(3,322)	(1,579)	(96)	(420)	231,990	
	1,175,231	138,010	(25,721)	(86,286)	(136)	1,029	1,202,128	-
	5,364,624	1,812,710	(1,315,014)	(238,002)	(139)	14,487	5,638,664	(13,466)

The "Addition and reversal" column of the table of impairment movements on available-for-sale assets, tangible assets and other assets in first half 2013 included net costs of €7,883 thousand reclassified to "Results from subsidiaries held for sale" in profit and loss for Group companies involved in a reprivatisation process (Note 12).

36. SEGMENT REPORTING

The Group adopted the following business segments to comply with IFRS 8 requirements and to assess own funds requirements on operational risk, using the standard method under the Bank of Portugal's *Official Notice* 9/2007 of 18/04/2007:

- Corporate finance, which includes activities related with acquisitions, mergers, restructuring operations, privatisations, subscriptions for and placements of securities (primary market), securitisations, preparation and organisation of syndicated loans (merchant banking – loan placements), investment management, market and corporate financial analyses and advisory services;
- Trading and sales, which include banking activity related to the management of the own securities portfolio, management of issuance of debt instruments, money and foreign exchange markets operations, repo type operations, securities lending operations and wholesale brokerage. Investments in and claims on other credit institutions and derivatives are also included in this segment;
- Retail banking, which comprises banking operations with individual customers, the self-employed and micro-enterprises. This segment also includes consumer finance, mortgage lending, credit cards and deposits taken from individual customers;
- Commercial banking, which includes lending operations and resource-taking from major enterprises and SMEs. This segment also includes loans, current accounts, investment project finance, bills discounting operations, venture capital, factoring, equipment and property leasing, syndicated loans underwriting and loans to the public sector;
- Asset management, which includes activities associated with the management of customer portfolios, management of open-ended or closed end unit trust and property funds and discretionary wealth management funds;
- Insurance activity, which during the course of 2013, included the activity of the insurance companies owned by Caixa Seguros e Saúde and Garantia – Companhia de Seguros de Cabo Verde, S.A. Activity was split up between life and non-life insurance activities;
- Other, including all operating segments not described in the preceding business segments.

Information on the appropriation of income and main balance sheet aggregates, by business segments and geographies at 30 June 2014 and in 2013 is given below:

Business segments

	30-06-2014						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	(78 900)	476 803	55 096	2 076	28 742	(2 590)	481,227
Income from equity instruments	13 828	-	4 238	9 093	36	792	27,987
Income from services rendered and commissions	22 811	83 831	55 324	16 237	25 794	119 413	323,410
Cost of services and commissions	(7 869)	(3 103)	(3 402)	(3 892)	(12)	(53 752)	(72,030)
Results from financial operations	158 101	258	2 922	15 948	(16 109)	5 083	166,203
Other net operating income	(4 922)	170	(466)	19 333	(246)	(15 395)	(1,526)
Net operating income from banking and insurance operations	103,049	557,959	113,712	58,795	38,205	53,552	925,272
Other costs and income							(795 356)
Net income attributable to the shareholder of CGD							129,916
Cash balances and loans and advances to credit institutions (net)	4 466 441	416 566	23 260	8 939	-	1 534	4,916,740
Investments in securities and derivatives (net)	18 912 665	169 063	323 875	607 020	-	207 772	20,220,395
Loans and advances to customers (net)	1 929 948	33 865 930	31 387 436	177 945	104 203	11 884	67,477,346
Total net assets	25 883 703	35 042 968	32 613 035	2 008 901	105 414	4 571 187	100,225,208
Resources of central banks and credit institutions	7 895 144	150 183	298 532	81 361	-	10 169	8,435,389
Customer resources	1 685 301	52 333 091	12 930 673	146 396	-	30 965	67,126,426
Debt securities	3 471 504	4 844 457	52 839	-	-	-	8,368,800

	31-12-2013 (Restatement) (*)						
	Trading and sales	Retail banking	Commercial banking	Asset management	Corporate Finance	Other	Total
Net interest income	(215 681)	965 363	(27 806)	3 165	124 223	5 621	854,885
Income from equity instruments	16 706	-	24 209	25 436	187	2 432	68,970
Income from services rendered and commissions	34 733	180 930	121 010	29 995	60 967	245 415	673,050
Cost of services and commissions	(21 580)	(9 536)	(9 264)	(5 904)	(589)	(112 694)	(159,567)
Results from financial operations	257 592	13 803	8 108	2 933	(14 735)	(4 535)	263,166
Other net operating income	(8 453)	(9 304)	(9 199)	26 505	(136)	11 568	14,411
Net operating income from banking and insurance operations	63,317	1,141,256	107,058	82,130	169,917	147,807	1,714,915
Other costs and income							(2 293 805)
Net income attributable to the shareholder of CGD							(578,890)
Cash balances and loans and advances to credit institutions (net)	3 812 699	407 786	121 383	4 466	109	10 203	4,356,646
Investments in securities and derivatives (net)	17 619 234	22 347	676 625	551 786	(44 241)	252 134	19,080,405
Loans and advances to customers (net)	2 507 615	33 528 817	33 822 028	65 806	75 416	17 829	70,017,511
Total net assets	24 562 879	34 060 493	35 056 738	1 936 908	77 050	4 932 205	113,477,366
Resources of central banks and credit institutions	8 994 047	9 439	695 227	26 248	-	9 688	9,734,649
Customer resources	2 699 279	50 793 096	14 255 498	57 108	-	19 488	67,824,469
Debt securities	8 528 159	223 191	40 037	-	-	-	8,791,387

Geographies

	30-06-2014								
	Portugal	Rest of European Union	Rest of Europe	North America	Latin America	Asia	Africa	Other	Total
Net interest income	269,512	95,073	-	4,537	14,224	29,218	86,361	(17,697)	481,227
Income from equity instruments	64,801	7,133	-	-	-	27	12,716	(56,691)	27,987
Income from services rendered and commissions	255,513	23,565	-	402	6,610	17,265	42,456	(22,401)	323,410
Cost of services and commissions	(68,545)	(5,270)	-	(24)	(1,939)	(8,052)	(9,510)	21,310	(72,030)
Results from financial operations	110,255	10,836	-	(24)	(3,134)	3,275	39,008	5,988	166,203
Other net operating income	41,890	(6,385)	-	(55)	(1,359)	4,913	4,701	(45,231)	(1,526)
Net operating income from banking and insurance operations	673,425	124,952	-	4,836	14,402	46,647	175,731	(114,722)	925,272
Other costs and income									(795,356)
Net income attributable to the shareholder of CGD									129,916
Cash balances and loans and advances to credit institutions (net)	11,760,403	2,732,629	-	1,717,469	157,189	3,144,336	1,157,366	(15,752,653)	4,916,740
Investments in securities and derivatives (net)	23,981,997	2,148,329	-	36,073	125,334	77,788	1,055,716	(7,204,842)	20,220,395
Loans and advances to customers (net)	53,805,641	12,295,416	-	553,645	217,738	1,788,084	2,495,168	(3,678,347)	67,477,346
Total net assets	102,671,644	17,537,554	-	2,308,502	575,781	5,576,836	5,117,006	(33,562,114)	100,225,208
Resources of central banks and credit institutions	13,084,135	6,483,996	-	1,751,480	79,619	152,371	182,888	(13,299,100)	8,435,389
Customer resources	55,634,631	5,039,169	-	642,488	268,073	4,470,249	3,706,229	(2,634,413)	67,126,426
Debt securities	9,466,809	5,069,951	-	-	-	-	74,237	(6,242,197)	8,368,800

	31-12-2013 (Restatement) (*)								
	Portugal	Rest of European Union	Rest of Europe	North America	Latin America	Asia	Africa	Other	Total
Net interest income	430,846	188,411	540	7,488	22,691	58,882	166,280	(20,253)	854,885
Income from equity instruments	128,234	11,205	-	-	-	132	14,664	(85,265)	68,970
Income from services rendered and commissions	535,880	57,216	-	943	16,556	32,478	81,430	(51,453)	673,050
Cost of services and commissions	(150,992)	(18,706)	-	(52)	(5,441)	(16,723)	(18,972)	51,319	(159,567)
Results from financial operations	166,245	(4,290)	-	(354)	(4,436)	3,252	84,461	18,287	263,166
Other net operating income	107,260	(26,387)	(513)	(102)	(2,186)	3,072	23,421	(90,154)	14,411
Net operating income from banking and insurance operations	1,217,474	207,449	27	7,923	27,184	81,093	351,283	(177,519)	1,714,915
Other costs and income									(2,293,805)
Net income attributable to the shareholder of CGD									(578,890)
Cash balances and loans and advances to credit institutions (net)	9,894,075	3,072,998	-	1,657,975	97,644	3,935,818	1,190,873	(15,492,737)	4,356,646
Investments in securities and derivatives (net)	22,863,350	2,545,678	-	29,042	119,752	43,077	970,733	(7,491,228)	19,080,405
Loans and advances to customers (net)	56,978,146	12,562,786	-	572,270	172,311	1,562,812	2,331,661	(4,162,477)	70,017,511
Total net assets	115,561,758	18,524,361	-	2,260,149	444,695	6,052,194	4,875,330	(34,241,122)	113,477,366
Resources of central banks and credit institutions	15,383,899	6,658,402	-	1,691,961	83,490	160,974	125,716	(14,369,792)	9,734,649
Customer resources	54,225,667	5,497,144	-	637,363	158,823	4,973,660	3,512,097	(1,180,284)	67,824,469
Debt securities	10,166,601	5,213,565	-	-	-	-	62,442	(6,651,221)	8,791,387

The comparative financial statements have been restated as a result of the adoption of IFRS 10

The "Other" column includes balances between Group companies, eliminated in the consolidation process.

The following is a breakdown of the contribution to the Group's results by business area, based on internal management criteria, for the years ended 30 June 2014 and 2013:

	30-06-2014					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	1,465,532	460,279	107,820	-	(311,843)	1,721,788
Interest and similar costs	(1,234,490)	(231,371)	(92,600)	-	317,901	(1,240,560)
Income from equity instruments	3,855	7,453	992	-	15,687	27,987
Net interest income	234,897	236,361	16,212	-	21,744	509,214
Income from services rendered and commissions	206,648	90,298	29,015	-	(2,551)	323,410
Cost of services and commissions	(45,190)	(24,290)	(4,416)	(3)	1,868	(72,030)
Results from financial operations	74,239	49,777	20,459	(468)	22,195	166,203
Other net operating income	(1,269)	1,816	459	35	(2,566)	(1,526)
Net operating income	234,429	117,601	45,517	(435)	18,946	416,057
NET OPERATING INCOME FROM BANKING AND INSURANCE OPERATIONS	469,326	353,962	61,729	(435)	40,690	925,272
Other costs and income	(660,911)	(348,449)	(27,135)	283,755	(42,616)	(795,356)
Net income attributable to the shareholder of CGD	(191,585)	5,513	34,595	283,319	(1,926)	129,916

	30-06-2013 (Restatement) (*)					
	Banking business in Portugal	International business	Investment banking	Insurance	Other	Total
Interest and similar income	1,555,129	487,080	123,657	-	(374,250)	1,791,616
Interest and similar costs	(1,443,348)	(270,693)	(109,200)	-	396,069	(1,427,172)
Income from equity instruments	24,521	11,328	2,373	-	14,720	52,942
Net interest income	136,303	227,714	16,830	-	36,539	417,386
Income from services rendered and commissions	222,430	95,157	37,644	-	(10,398)	344,833
Cost of services and commissions	(48,921)	(29,367)	(5,202)	(1)	8,857	(74,635)
Results from financial operations	152,228	28,594	2,281	-	615	183,718
Other net operating income	5,647	(1,938)	33	4	9,136	12,882
Net operating income	331,384	92,446	34,756	4	8,210	466,799
NET OPERATING INCOME FROM BANKING AND INSURANCE OPERATIONS	467,687	320,160	51,586	4	44,749	884,185
Other costs and income	(656,743)	(374,721)	(37,389)	69,534	(67,584)	(1,066,903)
Net income attributable to the shareholder of CGD	(189,057)	(54,560)	14,197	69,538	(22,835)	(182,718)

(*) The comparative financial statements have been restated as a result of the adoption of IFRS 10

The "Other" column includes balances between Group companies, eliminated in the consolidation process.

37. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Credit risk

Maximum exposure to credit risk

The following is a breakdown of the Group's maximum exposure to credit risk at 30 June 2014 and 31 December 2013:

	30-06-2014	31-12-2013
Trading securities		
Public debt	417,806	439,208
Private debt	32,561	5,544
	450,368	444,752
Financial assets at fair value through profit or loss		
Public debt	-	26,419
Private debt	5,018	31,179
	5,018	57,597
Available-for-sale financial assets		
Public debt	9,926,851	9,811,484
Private debt	4,663,066	4,515,662
	14,589,918	14,327,146
Financial assets with repurchase agreement		
Public debt	74,874	196,133
Private debt	597,571	509,503
Credit and securities	693,768	-
	1,366,212	705,636
	16,411,515	15,535,132
Derivatives	1,680,330	1,523,907
Loans and advances to credit institutions	2,853,558	1,774,802
Loans and advances to customers	67,549,346	70,091,912
Other debtors	2,715,467	2,626,915
Other operations pending settlement	209,320	166,855
	75,008,021	76,184,390
Other commitments		
Personal/Institutional guarantees given		
Guarantees and sureties	3,819,863	4,056,268
Stand-by letters of credit	38,166	58,148
Open documentary credits	406,145	469,238
Other personal guarantees and other contingent liabilities	-	105,198
Forward deposit agreements	20,135	666
Irrevocable lines of credit	1,341,906	1,535,594
Credit default swaps	98,574	108,009
	5,724,788	6,333,121
Maximum exposure to credit risk	97,144,325	98,052,643

Exposure to the sovereign debt of the main eurozone countries

The main characteristics of these issuances within Caixa Group at 30 June 2014 and 31 December 2013, are set out below:

	Book value net of impairment at 30-06-2014				Fair value	Accumulated impairment	Fair value reserve	Rating
	Residual maturities							
	2014	after 2014	no maturity	Total				
Financial assets at fair value trough profit or loss								
Portugal	62,100	12,259	-	74,359	74,359	-	-	
Greece	-	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	-	
Spain	-	234	-	234	234	-	-	
Italy	-	245	-	245	245	-	-	
	62,100	12,738	-	74,838	74,838	-	-	
Financial assets at fair value through revaluation reserves								
Portugal	2,742,672	6,156,998	3,520	8,903,190	8,903,190	-	202,835	
Greece	-	4,610	-	4,610	4,610	-	(1,734)	
Ireland	-	-	-	-	-	-	-	
Spain	-	60,935	-	60,935	60,935	-	3,009	
Italy	-	34,894	-	34,894	34,894	-	63	
	2,742,672	6,257,437	3,520	9,003,629	9,003,629	-	204,173	
Total								
Portugal	2,804,772	6,169,257	3,520	8,977,549	8,977,549	-	202,835	BB
Greece	-	4,610	-	4,610	4,610	-	(1,734)	B-
Ireland	-	-	-	-	-	-	-	
Spain	-	61,168	-	61,168	61,168	-	3,009	BBB
Italy	-	35,140	-	35,140	35,140	-	63	BBB
	2,804,772	6,270,175	3,520	9,078,467	9,078,467	-	204,173	

	Book value net of impairment at 31-12-2013				Fair value	Accumulated impairment	Fair value reserve	Rating
	Residual maturities							
	2014	after 2014	no maturity	Total				
Financial assets at fair value trough profit or loss								
Portugal	83,436	23,339	-	106,775	106,775	-	-	
Greece	-	-	-	-	-	-	-	
Ireland	-	-	-	-	-	-	-	
Spain	-	163	-	163	163	-	-	
Italy	-	172	-	172	172	-	-	
	83,436	23,675	-	107,111	107,111	-	-	
Financial assets at fair value through revaluation reserves								
Portugal	5,015,103	4,039,504	2,570	9,057,177	9,057,177	-	82,910	
Greece	-	3,677	-	3,677	3,677	-	(2,730)	
Ireland	-	-	-	-	-	-	-	
Spain	-	58,738	-	58,738	58,738	-	1,511	
Italy	-	-	-	-	-	-	-	
	5,015,103	4,101,919	2,570	9,119,592	9,119,592	-	81,690	
Total								
Portugal	5,098,539	4,062,844	2,570	9,163,953	9,163,953	-	82,910	BB-
Greece	-	3,677	-	3,677	3,677	-	(2,730)	B-
Ireland	-	-	-	-	-	-	-	
Spain	-	58,901	-	58,901	58,901	-	1,511	BBB-
Italy	-	172	-	172	172	-	-	BBB
	5,098,539	4,125,594	2,570	9,226,703	9,226,703	-	81,690	

These markets reflect the consequences of the serious liquidity crisis and general uncertainties regarding risk perception associated with sovereign debt issuances in this economic space and particularly so in the case of European Central Bank, International Monetary Fund and European Union bail-out countries (Greece and Ireland in 2010 and Portugal in 2011).

Measurement criteria

The sovereign debt issuances of the peripheral eurozone countries considered in the above table were measured at observable market prices, when applicable or, in the absence of an active market, prices supplied by external counterparties. At 30 June 2014 and 31 December 2013, these portfolios were segmented into levels 1 and 2 of the fair value chain. Greater detail on the distinguishing elements of these categories along with the main premises used are given in the item on "Fair value".

Exposures affected by the period of turbulence

The Group's available-for-sale financial assets and assets at fair value through profit or loss as a charge to Group income, at 30 June 2014 and 31 December 2013, included the following types of securities which were particularly affected by the financial turmoil:

TYPE	Rating	Seniority level of the tranche held	Geographical area of the issuer	30-06-2014 Book value (net of impairment)	30-06-2014 Fair value reserve	31-12-2013 Book value (net of impairment)	31-12-2013 Fair value reserve
Available-for-sale financial assets							
Residential mortgage-backed securities	A- to A+	Senior	European Union	1,891	(378)	2,580	(574)
	Lower than A-	Senior	European Union	36,943	(353)	33,038	(5,844)
		Mezzanine	European Union	4,043	(1,151)	3,462	(1,721)
	CCC	Mezzanine	European Union	3,340	(3,105)	2,542	(3,900)
				46,217	(4,988)	41,621	(12,039)
Collateralized Loan obligations	Lower than A-	Mezzanine	European Union	-	-	7,229	(1,689)
				-	-	7,229	(1,689)
				46,217	(4,988)	48,851	(13,728)

(a) Presentation of securities conducted in accordance with information about the ratings available on 30-06-2014, with the exception of alienated species whose information provided should be referenced 31-12-2013.

Information on movements in these securities at 30 June 2014 and 2013 is set out below:

TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31-12-2013	Sales and amortisations	Impact on results for the period: Capital gains / (losses) recognised against results	Impact on results for the period: Impairment	Change in the fair value reserve	Book value (net) at 30-06-2014
Available-for-sale financial assets									
Residential mortgage-backed securities									
	A- to A+	Senior	European Union	2,580	(743)	(141)	-	195	1,891
	Lower than A-	Senior	European Union	33,038	(1,602)	16	-	5,491	36,943
		Mezzanine	European Union	3,462	-	11	-	570	4,043
	CCC	Mezzanine	European Union	2,542	-	3	-	795	3,340
Collateralized Loan obligations									
	Lower than A-	Mezzanine	European Union	7,229	(8,731)	(187)	-	1,689	-
				48,851	(11,077)	(298)	-	8,741	46,217

(a) Presentation of securities conducted in accordance with information about the ratings available on 30-06-2014, with the exception of alienated species whose information provided should be referenced 31-12-2013.

TYPE	Rating (a)	Seniority level of the tranche held	Geographical area of the issuer	Book value (net) at 31-12-2012	Sales and amortisations	Impact on results for the period: Capital gains / (losses) recognised against results	Impact on results for the period: Impairment	Change in the fair value reserve	Book value (net) at 30-06-2013
Available-for-sale financial assets									
Residential mortgage-backed securities									
	AAA	Senior	European Union	215	(215)	(3)	-	3	-
	AA- to AA+	Senior	European Union	2,598	(777)	(214)	-	271	1,878
	A- to A+	Senior	European Union	13,404	(338)	2	-	561	13,630
	Lower than A-	Senior	European Union	19,232	(1,343)	24	-	1,500	19,414
		Mezzanine	European Union	2,645	-	13	-	(377)	2,281
	CCC	Mezzanine	North America	101	(102)	1	-	-	-
		Mezzanine	European Union	1,308	-	12	-	495	1,815
Collateralized loan obligations									
	AAA	Senior	European Union	7,000	(7,236)	(14)	-	250	-
	AA- to AA+	Mezzanine	European Union	97	-	-	-	1	98
	A- to A+	Senior	European Union	92	(3)	-	-	2	91
		Mezzanine	European Union	252	-	-	-	8	260
	Lower than A-	Mezzanine	European Union	12,381	-	70	-	(551)	11,900
Other financial instruments									
	No rating	Senior	European Union	1	-	-	3	-	4
				59,327	(10,015)	(108)	3	2,163	51,370
Financial assets at fair value through profit or loss									
Other financial instruments									
	A- to A+	Senior	European Union	33,467	(4,326)	3,189	-	-	32,331
				33,467	(4,326)	3,189	-	-	32,331
				92,794	(14,341)	3,081	3	2,163	83,700

(a) Presentation of securities conducted in accordance with information about the ratings available on 30-06-2014, with the exception of alienated species whose information provided should be referenced 31-12-2013.

"Capital gains/(losses) recognised against results" include accrued interest and foreign exchange revaluation results.

Liquidity risk

Liquidity risk derives from the possibility of difficulties (i) in obtaining resources to finance assets, normally leading to higher borrowing costs but which may also imply a restriction on asset growth, and (ii) the prompt settlement of obligations to third parties caused by significant mismatches between the periods to maturity of an institution's financial assets and liabilities. Liquidity risk may be reflected in the impossibility of achieving the prompt sale of a financial asset at close to its fair market value.

Under IFRS 7, the contractual periods to maturity of financial instruments, at 30 June 2014 and 31 December 2013, were as follows:

	30-06-2014									
	Residual periods to maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	1,167,379	-	-	-	-	-	-	-	-	1,167,379
Cash balances at other credit institutions	898,099	-	-	-	-	-	-	-	-	898,099
Loans and advances to credit institutions	2,381,807	207,046	85,656	58,717	6,907	2,935	48,927	31,008	51,665	2,874,670
Securities										
Trading	3,267	25,081	101,512	62,325	29,576	39,775	191,172	4,044	1,712,882	2,169,634
Other (net of impairment)	980,986	1,369,554	1,095,167	3,699,353	2,064,888	2,402,213	3,666,806	700,328	2,480,193	18,459,486
Loans and advances to customers (gross)	3,476,376	3,056,848	4,823,303	3,648,948	11,067,242	10,259,760	16,763,068	34,255,982	(49,566)	87,301,960
Assets with repurchase agreement	33,453	2,032	13,886	341,995	583,210	261,371	168,084	132,186	14,154	1,550,370
Hedging derivatives	-	-	-	-	-	-	-	-	70,307	70,307
	8,941,367	4,660,561	6,119,523	7,811,337	13,751,822	12,966,054	20,838,057	35,123,549	4,279,634	114,491,905
Liabilities										
Resources of central banks and credit institutions	(1,207,030)	(1,658,925)	(532,295)	(4,379,997)	(51,673)	(103,741)	(663,426)	-	(23,104)	(8,620,193)
Customer resources	(24,996,140)	(7,021,250)	(8,894,277)	(9,247,868)	(12,963,343)	(3,971,508)	(372,798)	(164,418)	(745,712)	(68,377,314)
Debt securities	(708,872)	(366,880)	(243,344)	(234,624)	(3,969,304)	(1,786,236)	(1,628,409)	(278,263)	4,188	(9,211,744)
Financial liabilities at fair value through profit or loss	(1,310)	(1,726)	-	-	-	(2,946)	(1,780)	(1,767)	(1,769,115)	(1,778,644)
Hedging derivatives	-	-	-	-	-	-	-	-	(26,706)	(26,706)
Subordinated liabilities	(248)	(1,811)	(50,719)	(65,762)	(1,163,485)	(1,523,688)	(35,016)	(124,269)	6,072	(2,958,927)
Consigned resources	-	(19,686)	(753)	(1,459)	(12,673)	(19,770)	(508,132)	(274,577)	(159)	(837,209)
	(26,913,600)	(9,070,279)	(9,721,389)	(13,929,711)	(18,160,478)	(7,407,890)	(3,209,562)	(843,294)	(2,554,535)	(91,810,737)
Derivatives	6,338	7,987	(1,236)	(28,898)	(53,702)	(42,257)	(65,793)	(34,072)	-	(211,634)
Difference	(17,965,896)	(4,401,730)	(3,603,102)	(6,147,271)	(4,462,358)	5,515,907	17,562,702	34,246,182	1,725,099	22,469,534

	31-12-2013									
	Residual periods to maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	1,545,946	-	-	-	-	-	-	-	-	1,545,946
Cash balances at other credit institutions	1,036,312	-	-	-	-	-	-	-	109	1,036,421
Loans and advances to credit institutions	1,422,192	140,363	40,102	62,398	10,075	2,268	33,131	24,053	55,857	1,790,440
Securities										
Trading	1,750	10,294	31,569	76,658	109,222	37,522	192,998	7,359	1,542,999	2,010,371
Other (net of impairment)	58,107	758,744	1,111,288	4,305,237	2,826,747	2,991,600	3,536,316	1,246,013	1,606,945	18,440,997
Loans and advances to customers (gross)	3,981,069	3,636,887	5,076,410	3,735,576	13,541,427	10,014,013	17,962,436	36,427,341	(137,352)	94,237,809
Assets with repurchase agreement	12,016	21,101	12,974	27,340	230,189	386,984	84,817	-	5,376	780,797
Hedging derivatives	-	-	-	-	-	-	-	-	45,458	45,458
	8,057,391	4,567,389	6,272,343	8,207,209	16,717,660	13,432,387	21,809,698	37,704,767	3,119,394	119,888,238
Liabilities										
Resources of central banks and credit institutions	(1,621,536)	(1,708,105)	(129,332)	(431,431)	(5,340,577)	(280,743)	(698,571)	(1,586)	204,561	(10,007,319)
Customer resources	(24,224,548)	(7,012,433)	(7,970,624)	(11,515,255)	(13,421,344)	(3,943,224)	(396,316)	(125,098)	(728,725)	(69,337,567)
Debt securities	(132,467)	(1,163,155)	(101,309)	(1,230,089)	(4,001,820)	(1,083,913)	(1,704,504)	(393,037)	5,338	(9,804,955)
Financial liabilities at fair value through profit or loss	(788)	(84)	(271)	(946)	-	-	(1,138)	(2,725)	(1,638,880)	(1,644,832)
Hedging derivatives	-	-	-	-	-	-	-	-	(65,110)	(65,110)
Subordinated liabilities	(5,110)	(16,842)	(50,994)	(52,048)	(270,411)	(1,949,257)	(587,885)	(130,349)	6,072	(3,056,824)
Consigned resources	-	(760)	(50,905)	(20,541)	(17,555)	(31,552)	(554,899)	(287,294)	(159)	(963,665)
	(25,984,449)	(9,901,379)	(8,303,435)	(13,250,309)	(23,051,707)	(7,288,688)	(3,943,314)	(940,088)	(2,216,902)	(94,880,271)
Derivatives	(1,166)	(18,566)	2,030	9,792	(43,772)	(19,033)	(64,299)	(53,235)	-	(188,249)
Difference	(17,928,223)	(5,352,555)	(2,029,062)	(5,033,308)	(6,377,820)	6,124,667	17,802,084	36,711,444	902,491	24,819,718

The above tables also include cash flow projections on capital and interest and are not therefore directly comparable to the accounting balances at 30 June 2014 and 31 December 2013. Interest projections on variable-rate operations incorporate the forward rates implicit in the current yield curve in force on the respective references dates.

In the special case of mortgage loans, the distribution of capital and interest flows took into consideration expectations of early repayments rates assessed on an analysis of the historic performance of operations and the present macroeconomic context.

The following tables, which contain information on CGD Group's structural (as opposed to contractual) periods to maturity at 30 June 2014 and 31 December 2013 differ from the former tables in their use of the following premises:

- Debt and equity securities: reallocation of amounts with adequate liquidity to the up to 1 month bucket, except for collateralised debt securities which were allocated to buckets corresponding to the maturity of operations they were collateralising;

- Customers' sight deposits: reallocation of the balance of core deposits (which comprise a stable funding source for lending operations) from to the "up to 1 month" bucket to the more than 4 years buckets according to internally developed studies and models;

- Term and savings deposits (CGD HQ): the expected lengths of the deposit periods (which are different from contractual periods) were estimated, on the basis of which the respective balances were reallocated by bucket.

The amounts presented also correspond to outstanding capital balances and do not include interest or accrued interest projections.

	30-06-2014									
	Remaining maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	1,166,441	-	-	-	-	-	-	-	-	1,166,441
Cash balances at other credit institutions	894,842	-	-	-	-	-	-	-	109	894,952
Loans and advances to credit institutions	2,381,422	206,618	85,588	57,782	5,099	1,241	44,694	25,835	51,665	2,859,943
Securities										
Trading	124,833	30,290	14,016	126,180	2,286	3,929	27,430	122,249	1,669,012	2,120,224
Other (net of impairment)	4,346,614	1,143,064	146,281	4,661,996	251,291	321,587	514,770	4,325,394	952,655	16,663,651
Loans and advances to customers (gross)	3,333,636	2,815,730	4,466,301	3,086,818	9,056,978	8,251,458	11,782,887	23,927,703	(49,580)	66,671,931
Assets with repurchase agreement	257,000	290,000	-	297,500	501,791	-	-	-	14,154	1,360,445
	12,504,789	4,485,702	4,712,186	8,230,276	9,817,445	8,578,215	12,369,780	28,401,181	2,638,015	91,737,587
Liabilities										
Resources of central banks and credit institutions	(1,205,687)	(1,644,456)	(524,215)	(4,355,754)	(4,644)	(52,069)	(550,753)	-	(23,104)	(8,360,683)
Customer resources	(6,784,967)	(5,854,424)	(5,526,957)	(9,336,873)	(16,733,687)	(6,960,208)	(2,478,637)	(12,159,423)	(745,712)	(66,580,889)
Debt securities	(674,372)	(300,588)	(154,662)	(113,018)	(3,548,678)	(1,593,228)	(1,529,132)	(229,508)	4,188	(8,138,997)
Financial liabilities at fair value through profit or loss	(1,310)	(1,726)	-	-	-	(2,946)	(1,780)	(1,767)	(1,769,115)	(1,778,644)
Subordinated liabilities	-	-	(452)	(5,422)	(939,454)	(1,461,218)	(8,786)	(100,000)	6,072	(2,509,260)
Consigned resources	-	(16,667)	-	-	-	-	(440,220)	(248,955)	(159)	(706,000)
	(8,666,337)	(7,817,861)	(6,206,286)	(13,811,066)	(21,226,462)	(10,069,670)	(5,009,308)	(12,739,653)	(2,527,830)	(88,074,473)
Difference	3,838,452	(3,332,160)	(1,494,100)	(5,580,790)	(11,409,018)	(1,491,455)	7,360,472	15,661,528	110,185	3,663,114

	31-12-2013									
	Remaining maturity									
	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents at central banks	1,545,275	-	-	-	-	-	-	-	-	1,545,275
Cash balances at other credit institutions	1,032,227	-	-	-	-	-	-	-	109	1,032,336
Loans and advances to credit institutions	1,421,200	139,920	40,006	62,124	8,686	998	29,865	19,619	55,857	1,778,276
Securities										
Trading	108,999	27,421	4,574	10,172	156,930	3,525	27,264	114,618	1,503,186	1,956,688
Other (net of impairment)	3,890,455	1,035,527	158,446	617,771	5,438,577	374,124	449,942	4,221,883	185,897	16,372,622
Loans and advances to customers (gross)	3,830,930	3,386,379	4,675,904	3,111,941	11,050,184	7,343,331	11,672,964	24,457,884	(137,352)	69,392,165
Assets with repurchase agreement	420,678	292,581	-	-	-	-	-	-	(7,624)	705,636
	12,249,765	4,881,828	4,878,930	3,802,008	16,654,377	7,721,978	12,180,034	28,814,003	1,600,074	92,782,998
Liabilities										
Resources of central banks and credit institutions	(1,620,437)	(1,687,857)	(127,502)	(408,642)	(5,245,422)	(209,435)	(552,060)	(1,586)	204,561	(9,648,379)
Customer resources	(6,500,549)	(4,720,691)	(4,976,819)	(11,637,754)	(17,293,509)	(7,029,111)	(2,446,807)	(11,864,597)	(732,066)	(67,201,902)
Debt securities	(50,263)	(1,101,236)	(89,183)	(1,040,887)	(3,592,342)	(895,799)	(1,532,769)	(308,623)	5,338	(8,605,764)
Financial liabilities at fair value through profit or loss	(788)	(84)	(271)	(946)	-	-	(1,138)	(2,725)	(1,638,880)	(1,644,832)
Subordinated liabilities	(4,889)	(8,973)	(452)	(452)	(39,295)	(1,825,422)	(537,451)	(100,000)	6,072	(2,510,862)
Consigned resources	-	-	(50,000)	(16,667)	-	-	(458,196)	(250,684)	(159)	(775,705)
	(8,176,926)	(7,518,840)	(5,244,227)	(13,105,347)	(26,170,568)	(9,959,767)	(5,528,422)	(12,528,213)	(2,155,133)	(90,387,443)
Difference	4,072,839	(2,637,013)	(365,297)	(9,303,339)	(9,516,192)	(2,237,789)	6,651,613	16,285,790	(555,059)	2,395,555

Fair value

The following tables set out information on the balance sheet and fair values of the main financial assets and liabilities, at amortised cost, at 30 June 2014 and 31 December 2013.

	30-06-2014				
	Balances analysed			Balances not analysed	Total book value
	Book value	Fair value	Difference	Book value	
Assets					
Cash and cash equivalents at central banks	1,166,491	1,166,491	-	-	1,166,491
Cash balances at other credit institutions	896,690	896,690	-	-	896,690
Loans and advances to credit institutions	2,387,158	2,391,999	4,841	466,400	2,853,558
Loans and advances to customers	64,476,198	57,854,774	(6,621,424)	3,001,148	67,477,346
	68,926,537	62,309,954	(6,616,583)	3,467,548	72,394,085
Liabilities					
Resources of central banks and other credit institutions	8,273,839	8,220,431	(53,408)	161,550	8,435,389
Customer resources	63,883,907	64,173,928	290,021	3,242,518	67,126,426
Debt securities	8,249,907	8,492,437	242,530	118,893	8,368,800
Subordinated liabilities	2,511,666	2,605,376	93,710	13,767	2,525,434
Consigned resources	706,000	727,448	21,448	-	706,000
	83,625,320	84,219,620	594,300	3,536,728	87,162,048

	31-12-2013				
	Balances analysed			Balances not analysed	Total book value
	Book value	Fair value	Difference	Book value	
Assets					
Cash and cash equivalents at central banks	1,545,339	1,545,339	-	-	1,545,339
Cash balances at other credit institutions	1,037,042	1,037,042	-	(538)	1,036,504
Loans and advances to credit institutions	1,307,297	1,306,312	(985)	467,505	1,774,802
Loans and advances to customers	67,331,179	59,672,618	(7,657,985)	2,686,332	70,017,511
	71,220,857	63,561,310	(7,658,971)	3,153,299	74,374,156
Liabilities					
Resources of central banks and other credit institutions	9,835,039	9,763,230	71,810	(100,390)	9,734,649
Customer resources	65,976,420	66,494,589	(518,169)	1,848,049	67,824,469
Debt securities	8,717,423	8,583,996	133,426	73,964	8,791,387
Subordinated liabilities	2,508,172	2,356,541	151,631	15,528	2,523,700
Consigned resources	775,546	789,274	(13,728)	159	775,705
	87,812,600	87,987,630	(175,030)	1,837,310	89,649,910

Fair value was assessed on the following premises:

- The book value of balances payable on demand corresponds to their fair value;
- The fair value of Caixa's listed debt issued, corresponds to their respective market price;
- Discounted cash flow models were used to assess the fair value of the remaining instruments, for both fixed and variable-interest rate instruments up to the operations' maturity using the operations' contractual terms and yield curves appropriate to the instrument, including:
  - ➢ Market interest rates, incorporating average spreads on new investment operations and credit institutions' resources;
  - ➢ Market interest rates incorporating average spreads charged on new lending operations and customer deposits on like-for-like loans and deposits;

- The "Balances not analysed" column essentially includes:
  - Overdue credit, net of impairment;
  - The balance of several entities not included in Caixa's calculation.

The form of measuring the fair value of financial instruments recognised in the financial statements, at fair value, at 30 June 2014 and 31 December 2013, may be summarised as follows:

	30-06-2014			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held for trading	481,602	25,236	3,363	510,201
Securities at fair value through profit or loss (*)	310,809	50	504,974	815,833
Available-for-sale financial assets	9,576,081	4,617,086	1,476,307	15,669,474
Assets with repurchase agreement	343,285	198,352	130,808	672,445
Trading derivatives	712	(631,030)	462,730	(167,587)
Other liabilities held for trading	(1,034)	-	-	(1,034)
Hedging derivatives	-	36,978	6,623	43,601
	10,711,455	4,246,672	2,584,805	17,542,933

(*) The amounts presented exclude loans and other receivables

	31-12-2013			
	Measurement techniques			Total
	Level 1 Market prices	Level 2 Market inputs	Level 3 Other measurement techniques	
Securities held for trading	418,532	59,707	-	478,239
Securities at fair value through profit or loss (*)	533,459	26,773	268,772	829,004
Available-for-sale financial assets	9,593,300	4,244,509	1,528,721	15,366,530
Assets with repurchase agreement	488,435	209,679	7,522	705,636
Trading derivatives	321	(560,893)	394,188	(166,384)
Hedging derivatives	-	44,019	(63,670)	(19,651)
	11,034,047	4,023,794	2,135,533	17,193,374

(*) The amounts presented exclude loans and other receivables

The preparation of the above table was based on the following criteria:

. **Level 1** – Market prices. This column includes financial instruments measured on the basis of active market prices;

. **Level 2** – Measurement techniques – observable market input. This column includes financial instruments measured by internal models using observable market input (interest rates, foreign exchange rates, ratings issued by external entities, other). The column also includes bid prices supplied by external counterparties;

. **Level 3** – Other measurement techniques. This column includes financial instruments measured by internal models or prices supplied by external entities including non-observable market parameters.

Movements in financial instruments, classified in the "Other measurement techniques" column, in first half 2014 were as follows:

	Financial assets at fair value through profit or loss			Available-for-sale financial assets					Derivates financial instruments	Total
	Equity instruments	Debt instruments	Subtotal	Equity instruments	Debt instruments			Subtotal		
		Corporate bonds			Asset-backed securities	Collateralized Loan Obligation	Corporate bonds			
Book value (net) at 31-12-2013	264,042	4,730	268,772	922,694	375,291	7,229	231,029	1,536,243	330,518	2,135,533
Changes in consolidation perimeter	17,031	-	17,031	(261)	-	-	(1,144)	(1,405)	-	15,626
Acquisitions	21,492	2,969	24,461	59,179	-	-	10,660	69,839	1,286	95,585
Amortisations	-	-	-	-	(21,839)	(255)	(13,080)	(35,174)	3,279	(31,895)
Sales	(4,339)	-	(4,339)	(1,853)	-	(8,738)	(2,425)	(13,017)	-	(17,356)
Gains / (losses) recognised as a charge to results - alienated instruments	98	-	98	2	-	74	11	88	-	186
Gains / (losses) recognised as a charge to results - portfolio instruments	5,667	238	5,905	447	4,549	-	1,699	6,696	134,270	146,871
Impairment for the period	-	-	-	(16,880)	-	-	-	(16,880)	-	(16,880)
Gains / (losses) recognised as a charge to fair value reserves	-	-	-	34,371	57,105	1,689	6,237	99,402	-	99,402
Transfers from / (to) other levels (Levels 1 and 2)	196,409	-	196,409	118	(6,823)	-	(34,440)	(41,145)	-	155,264
Exchange differences	-	-	-	4,365	-	-	-	4,365	-	4,365
Other	-	-	-	(1,885)	-	-	(11)	(1,897)	-	(1,897)
Book value (net) at 30-06-2014	500,401	7,937	508,337	1,000,297	408,284	-	198,535	1,607,115	469,353	2,584,805

At 30 June 2014 and 31 December 2013, a positive shift of 100 bp on the interest rate curve used to discount estimated future flows on debt instruments measured by internal models, would result in decreases of around €460 thousand and €650 thousand in fair value in the balance sheet and revaluation reserves and results, respectively.

Equity instruments measured by other measurement techniques (Level 3) at 30 June 2014 and 31 December 2013, essentially include investment structures valued on the basis of data on net asset values provided by management entities or other information service providers.

In first half 2014 transfers between levels 1 and 2 of the fair value ranking were as follows:

	30-06-2014			
	Securities at fair value through profit or loss		Available-for-sale financial assets	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Debt instruments	50	15,394	7,235	49,945
	50	15,394	7,235	49,945

The transfers noted between classification levels in the fair value ranking are essentially on account of the changes in the resources available for the valuation of these assets (market or external counterparties).

Derivatives

Derivative transactions are made in organised and OTC markets.

Listed derivatives operations are valued on prices taken from financial information systems (Reuters/Bloomberg).

OTC derivatives are valued by commonly accepted theoretical, reasonably complex models, depending on the characteristics of the product in question:

- Discounted cash flow projections based on an adequate yield curve;
- Valuations based on statistical models, accepted in the market, such as Black & Scholes.

The type of input necessary for the valuation also depends upon the characteristics of the operations, which are generally yield curves, volatility curves, equity prices/indices, exchange rates and dividend yields.

Yield curves are produced on deposit rates and swap prices taken from Reuters/Bloomberg. An adjustment based on interest rate futures or FRAs is applied to currencies with the largest exposures. Different future yield curves are available on future cash flows, depending on the period of the operation's Indexer.

Volatility curves are produced on the basis of the implicit volatilities in the prices of listed options on underlying assets. If there are no listed options for an underlying asset, historic volatility is calculated on the basis of the historical price series of its component parts.

Prices of shares/indices, exchange rates and dividend yields are supplied by Reuters/Bloomberg.

Up to 31 December 2012, the fair value of derivatives was assessed on the basis of expected discounted future cash flow at a risk-free interest rate. The initial margin obtained in these operations was also deferred until the respective maturity date, with specific adjustments having been recognised in the valuation of derivatives with added credit risk.

During the course of 2013, as a result of the adoption of IFRS 13, the Group incorporated add-ons to its valuation of the said financial instruments to reflect its own credit risk based on a market discount curve it considers to reflect the associated risk profile. Simultaneously, based on its current exposure, the Group adopted a similar methodology to reflect counterparty credit risk in derivatives with positive fair value, having as a result of this situation, discontinued the procedure of deferring the initial margin. The fair value thus obtained comprises the risk-free appreciation affected by this addition.

The value of CVA (credit value adjustments) at 30 June 2014 and 31 December 2013, recognised In the "Financial assets held for trading" account, at 31 December 2013, and DVA (debit value adjustments) recognised in the "Financial liabilities held for trading" account heading totalled €99,794 thousand and €919 thousand respectively and €99,055 thousand and €2,415 thousand, respectively.

Debt instruments of financial and non-financial entities

Whenever possible, securities are valued at market prices obtained in accordance with an internally developed algorithm which endeavours to obtain the most appropriate price for each security in accordance with CGD's internally defined ranking of contributors. Price changes are analysed daily with the aim of ensuring the quality of the prices used.

In general the input used for internal valuations are obtained from Bloomberg and Reuters.

There are several securities for which market prices cannot be obtained: assets classified at levels 2 and 3. These securities are priced by the use of internal/external valuation techniques. The valuations are generally based on future discounted cash flow projections. The forecast may be the result of a reasonably complex model ranging from simple discounted cash flows resulting from forward rates (obtained from the most adequate interest rate curve, which, in turn, is produced on the basis of money market and swap rates, whose money market component is adjusted by future interest rate prices or FRAs) to a CLO (collateralised loan obligations) cascade payment (projected on the basis of information disclosed in Investor Reports).

For discount purposes, internal valuations use a listed credit curve complying with the issuer's currency/sector/rating trinomial to consider the risk attached to each issuance. Segmentation between levels 2 and 3 is essentially associated with the viability of the direct observation of the input sources for valuation purposes. The valuations provided by structures, issuers or counterparties (external measurements) are usually allocated to Level 3. Securitisations with reduced liquidity are also allocated to Level 3.

Interest rate curves are calculated on money market rates and swap prices. In the case of euro, GBP and USD interest rate curves, an adjustment is made using the market price of interest rate futures and/or FRAs.

The values of the curves of the currencies with greater exposure, at 30 June 2014 and 31 December 2013, were as follows:

	30-06-2014			31-12-2013		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	0.3750	0.1000	0.4500	0.1200	0.1500	0.4100
1 month	0.0400	0.1600	0.4500	0.1800	0.1800	0.4200
2 months	0.0764	0.2300	0.5100	0.2089	0.2100	0.4600
3 months	0.1109	0.2541	0.5589	0.2351	0.2325	0.4936
6 months	0.2126	0.2490	0.6205	0.3093	0.2549	0.5383
9 months	0.2173	0.2615	0.7123	0.3304	0.2761	0.5787
1 year	0.2392	0.2901	0.8179	0.3609	0.2990	0.6284
2 years	0.3099	0.5879	1.2605	0.5190	0.4790	0.9947
3 years	0.3840	0.9750	1.6969	0.7373	0.8490	1.4039
5 years	0.6558	1.6780	2.1709	1.2562	1.7440	2.1170
7 years	0.9916	2.1480	2.4700	1.6811	2.4150	2.5693
10 years	1.4385	2.5940	2.7760	2.1558	3.0110	2.9919
15 years	1.8955	2.9990	3.0605	2.5848	3.5070	3.3210
20 years	2.0885	3.1770	3.1949	2.7178	3.7060	3.4208
25 years	2.1625	3.2570	3.2358	2.7438	3.7940	3.4433
30 years	2.1815	3.2950	3.2460	2.7348	3.8395	3.4397

Credit curve values are obtained from the Bloomberg system and assessed on the prices of a series of securities complying with the currency/sector/rating trinomial. The values of the credit curve of the Portuguese and German governments, at 30 June 2014 and 31 December 2013 were as follows:

	30-06-2014		31-12-2013	
	Portuguese Government	German Government	Portuguese Government	German Government
3 months	0.2203	0.0960	0.8231	0.1027
6 months	0.2783	0.0850	1.1033	0.1257
9 months	0.3796	0.0867	1.2105	0.1319
1 year	0.4163	0.0885	1.2808	0.1383
2 years	1.0568	0.1132	3.2942	0.1809
3 years	1.5434	0.1662	3.9012	0.3888
5 years	2.3990	0.5146	5.1150	0.9328
7 years	3.1083	0.9189	5.7238	1.3962
10 years	3.7344	1.4201	6.0551	1.9705
15 years	4.0646	1.8032	6.2115	2.3071
20 years	4.3447	2.0991	6.2713	2.5502
25 years	4.4983	2.2799	6.3069	2.7613
30 years	4.5274	2.3205	6.3207	2.7580

Foreign exchange rates are assessed on the prices set by the Central Bank. The following table provides information on the foreign exchange rate pairings of several relevant currencies, at 30 June 2014 and 31 December 2013:

	30-06-2014	31-12-2013
EUR/USD	1.3658	1.3791
EUR/GBP	0.8015	0.8337
EUR/CHF	1.2156	1.2276
EUR/AUD	1.4537	1.5423
EUR/JPY	138.44	144.72
EUR/BRL	3.0002	3.2576

Equity instruments held as part of a venture capital activity

Unlisted own equity instruments held as part of a venture capital activity are valued by the following criteria:

i) Prices of materially relevant transactions charged by independent entities over the last six months;

ii) Multiples of comparable companies in terms of activity, size and profitability;

iii) Discounted cash flows;

iv) Settlement price corresponding to the net value of an associated company's assets;

v) Acquisition cost.

Market risk

Market risk is the risk of a change in the fair value or cash flows of financial instruments based on changes in market prices including interest and price risks.

Market risk assessment is based on the following methodologies:

Value at Risk (VaR) on the following portfolios:

- The trading portfolio, which includes securities and trading derivatives;
- Own portfolio, which comprises investment securities upon which deleveraging operations are currently being performed;
- Investment portfolio, which includes the remaining securities in Caixa's own portfolio, except for equity stakes and securitised loans;
- Treasury management, comprising money market funding, derivatives associated with this activity and debt issuances exposed to market risk

The VaR analysis excludes managed financial instruments under an insurance activity.

- Sensitivity analysis on all financial instruments sensitive to interest rate risk recognised in CGD's and the following CGD Group business units' separate financial statements;
  - Caixa - Banco de Investimento;
  - BCG Spain;
  - BNU Macau

- Sensitivity analysis on all financial instruments with optionality;
- Stress tests.

VaR analysis – market risk

VaR is an estimate of the maximum unrealised loss on specific assets portfolio over a given timeframe, considering a given confidence level based on normal market patterns.

The calculation methodology is based on historical simulation, i.e. future events are totally explained by past events, based on the following premises:

- holding period: 10 days (investment and own portfolios) and 1 day (trading portfolio and treasury management);
- confidence level: 99% (investment and own portfolios) and 95% (trading portfolio and treasury management);
- price sample period: 730 calendar days;
- decay factor =1, i.e. all past observations carry the same weight.

The theoretical price for options is calculated by the use of adequate models and the use of implied volatility. Given the methodology used, correlations are not calculated but empirical.

The following is a breakdown of VaR, at 30 June 2014 and 31 December 2013 (thousand euros):

Activity of Caixa Geral de Depósitos (HQ and Branches)

Trading portfolio (VaR 95%, 1 day)

	30-06-2014	Maximum	Minimum	31-12-2013
VaR by type of risk				
Interest rate	2,301	3,660	1,962	3,658
Foreign exchange rate	167	871	82	97
Price	328	716	87	-
Volatility	-	1	-	-
Diversification effect	(490)	-	-	(116)
	2,306	3,706	1,988	3,639

Treasury management (VaR 95%, 1 day)

	30-06-2014	Maximum	Minimum	31-12-2013
VaR by type of risk				
Interest rate	477	1,774	477	1,784
Foreign exchange rate	1,804	3,369	859	1,846
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(498)	-	-	(1,177)
	1,783	3,361	1,052	2,453

Investment portfolio (VaR 99%, 10 days)

	30-06-2014	Maximum	Minimum	31-12-2013
VaR by type of risk				
Interest rate	95,868	167,816	82,458	161,059
Foreign exchange rate	50	444	50	93
Price	-	-	-	-
Volatility	-	-	-	-
Diversification effect	(75)	-	-	(47)
	95,842	167,862	82,486	161,105

Own portfolio (VaR 99%, 10 days)

	30-06-2014	Maximum	Minimum	31-12-2013
VaR by type of risk				
Interest rate	40	236	21	230
Foreign exchange rate	93	166	3	27
Price	1,429	2,843	1,429	2,057
Volatility	-	-	-	-
Diversification effect	(127)	-	-	(289)
	1,435	2,838	1,435	2,026

Investment Banking Activity

Caixa - Banco de Investimento (VaR 99%, 10 days)

	30-06-2014	Maximum	Minimum	31-12-2013
VaR by type of risk				
Interest rate	7,826	12,581	5,137	12,045
Foreign exchange rate	260	1,541	84	1,401
Price	245	1,061	74	1,082
Volatility	235	518	233	516
Diversification effect	(652)	-	-	(2,003)
	7,914	13,188	5,154	13,042

Total VaR refers to the combined effect of interest rate, price, foreign exchange rates and volatility risks.

38. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal. In the event of discrepancies, the Portuguese version language version prevails.

16. EBA Reports

ADOPTION OF FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING AUTHORITY (EBA) RECOMMENDATIONS ON TRANSPARENCY OF INFORMATION AND ASSETS MEASUREMENT

Bank of Portugal Circular Letter 97/2008/DSB of 03 December

I.	**Business Model**	
1.	Description of business model (i.e. reasons for the development of activities/businesses and their respective contribution to the value creation process) and, if applicable, the changes made (e.g. as a result of the period of turmoil);	See **Board of Directors' Report 2013** - Chapters: • Message from the Chairman nad CEO of Board of Directors • Business Strategy and Operating Segments See Corporate Governance Report**.**
2.	Description of strategies and objectives (including strategies and objectives specifically related with securitisation operations and structured products);	See I.1 above. See **Board of Directors' Report 1st half 2014** – Chapter: • Retail banking (on securitisation operations) See Annex to the Consolidated Financial Statements: Notes 12, 20 and 23, related to securitisation operations and structured products.
3.	Description of the importance of the activities performed and their respective contribution to the business (including a quantitative approach);	See **Board of Director's Report 2013** – Chapter: • Business Strategy and Operating Segments See **Board of Director's Report – 1st half 2014** – Chapters: • Operating segments • Results, balance sheet, liquidity and solvency See Notes 26 and 36 of Annex to the Consolidated Financial Statements.

I.	Business Model	
4.	Description of the type of activities performed, including a description of the instruments used, their operation and qualification criteria with which the products/investments must comply;	See items I.1 to I.3 above. See **Board of Directors' Report 2013** – Chapter: • Risk management **Board of Director's Report – 1st half 2014** See Note 2.7. of Annex to the Consolidated Financial Statements.
5.	Description of the objective and amplitude of the institution's involvement (i.e. commitments and obligations assumed) for each activity performed;	See items I.1 to I.3 above.
II.	**Risks and Risk Management**	
6.	Description of the nature and amplitude of the risks incurred on activities performed and instruments used;	See **Board of Directors' Report 2013** – Chapter: • Risk management See Annex to the Consolidated Financial Statements: • Note 43: containing a detailed description of the financial risk management policies inherent to the group's activity, the monitoring thereof, maximum exposure to credit risk, credit quality, liquidity risk, interest rate risk, foreign exchange risk, market risk and VaR analyses and sensitivity to interest rate.
7.	Description of risk management practices relevant to the activities (particularly including liquidity risk in the present context), description of any fragilities/weaknesses identified and the corrective measures taken;	See II.6 above.

III.	Impact of period of financial turmoil on results	
8.	A qualitative and quantitative description of the results, particularly losses (when applicable) and impact of write-downs on results;	See **Board of Director's Report – 1st half 2014** – Chapter: • Results, balance sheet, liquidity and solvency See Notes 6, 8, 17 and 35 of Annex to the Consolidated Financial Statements.
9.	Breakdown of write-downs/losses by types of products and instruments affected by the period of turmoil, namely: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO), asset-backed securities (ABS);	**Board of Director's Report – 1st half 2014:** See Note 37 of Annex to the Consolidated Financial Statements, describing types of products and instruments affected by the period of turmoil.
10.	Description of the reasons and factors responsible for the impact;	See **Board of Director's Report – 1st half 2014,** namely in the following chapters: • Economic-financial Framework • Results, balance sheet, liquidity and solvency See items III. 8 and III.9 above.
11.	Comparison of: i) impacts between (relevant) periods; ii) Financial statements before and after the impact of the period of turmoil;	See items III.8 to III.10 above.
12.	Breakdown of "write-downs" between realised and unrealised amounts;	**Board of Director's Report – 1st half 2014:** See items III.8 to III.10 above, particularly Note 37 of Annex to the Consolidated Financial Statements.
13.	Description of the influence of the financial turmoil on the entity's share prices;	N.A.

III.	**Impact of period of financial turmoil on results**	
14.	Disclosure of maximum loss risk and description of how the institution's situation could be affected by the prolongation or worsening of the period of turmoil or market recovery;	See **Board of Director's Report – 1st half 2014**, namely the following chapter: • Main risks and uncertainties in second half 2014; See item III.10 above.
15.	Disclosure of impact of the evolution of the spreads associated with the institution's own liabilities on results in addition to the methods used to determine this impact;	See **Board of Director's Report – 1st half 2014** – Chapter: • Results, balance sheet, liquidity and solvency Liabilities issued by CGD Group are recognised at amortised cost.
IV.	**Levels and types of exposures affected by the period of turmoil**	
16.	Nominal (or amortised cost) and fair value of "live" exposures;	See **Board of Directors' Report 2013:** • Risk management **Board of Director's Report – 1st half 2014:** See Annex to the Consolidated Financial Statements: • Note 2.7 • Note 37, setting out a comparison between the fair and book value of assets and liabilities recognised at amortised cost.
17.	Information on credit risk mitigating factors (e.g. credit default swaps) and respective effect on present exposures;	**Board of Director's Report – 1st half 2014:** See Annex to the Consolidated Financial Statements: • Note 2.7, describing the accounting policies for derivatives and hedge accounting. • Note 10 • Note 37

IV.	**Levels and types of exposures affected by the period of turmoil**	
18.	Detailed disclosure of exposures, broken down by: -Level of seniority of exposures/tranches held; -Level of credit quality (e.g. ratings, vintages); -Geographic areas of origin; -Sector of activity; -Origin of exposures (issued, retained or acquired); -Product characteristics: e.g. ratings, weight/proportion of associated sub-prime assets, discount rates, spreads, finance; -Characteristics of underlying assets: e.g. vintages, loan-to-value ratio, credit rights; weighted average life of underlying asset, presuppositions on the evolution of prepayment situations, expected losses.	**Board of Director's Report – 1st half 2014:** See Note 37 of Annex to the Consolidated Financial Statements.
19.	Movements occurring in exposures between relevant reporting periods and reasons underlying such changes (sales, write-downs, purchases, etc.)	See items III.8 to III.15 above.
20.	Explanations of exposures (including "vehicles" and, in this case, respective activities) which have not been consolidated (or which have been recognised during the crisis) and associated reasons;	N.A.
21.	Exposure to monoline type insurance companies and quality of insured assets: - Nominal amount (or amortised cost) of insured exposures in addition to the amount of credit protection acquired; - Fair value of "live" exposures and respective credit protection; - Value of write-downs and losses, split up between realised and unrealised amounts; - Breakdown of exposures by rating or counterparty.	CGD does not have any exposure to monoline type insurance companies.
V.	**Accounting policies and valuation methods**	
22.	Classification of transactions and structured products for accounting and respective processing purposes.	**Board of Director's Report – 1st half 2014:** See Note 2 of Annex to the Consolidated Financial Statements, setting out a description of the financial instruments and how they are processed in the accounts.

V.	Accounting policies and valuation methods	
23.	Consolidation of Special Purpose Entities (SPEs) and other "vehicles" and their reconciliation with the structured products affected by the period of turmoil.	N.A.
24.	Detailed disclosure of the fair value of financial instruments : - Financial instruments at fair value; - Fair value ranking (breakdown of all exposures measured at fair value in the fair value ranking and breakdown between liquid assets and derivative instruments in addition to disclosure of information on migration between ranking levels); - Processing of “day 1 profits” (including quantitative information); - Use of fair value option (including conditions of use) and respective amounts (with an adequate breakdown);	**Board of Director's Report – 1st half 2014:** See Notes 7, 8 and 37 of Annex to the Consolidated Financial Statements. See item IV.16 above, particularly the presentation of the determination of the fair value of the financial instruments.
25.	Description of modelling techniques used to value financial instruments, including information on: - Modelling techniques and instruments on which they are applied; - Valuation processes (particularly including the assumptions and inputs upon which the models are based); - Types of adjustment applied to reflect the modelling risk and other valuation uncertainties; - Sensitivity of fair value (namely changes to assumptions and key inputs); - Stress Scenarios.	**Board of Directors' Report 2013:** See Note 43 of Annex to the Consolidated Financial Statements: **Board of Director's Report – 1st half 2014:** See Note 2.7 of Annex to the Consolidated Financial Statements, setting out information and processes applied by CGD in the valuation of financial instruments.
VI.	**Other relevant disclosure aspects**	
26.	Description of disclosure policies and principles used for reporting disclosures and financial reporting.	**Board of Director's Report – 1st half 2014:** See Note 2 of Annex to the Consolidated Financial Statements.

Caixa Geral de Depositos