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2014

Interim Activity Report

1st Quarter

In accordance with Article 10 of the CMVM Regulation nr.5/2008 we are pleased to transcribe the

1st QUARTER 2014 ACTIVITY REPORT

BANCO COMERCIAL PORTUGUÊS, S.A.

a public company (Sociedade Aberta)
having its registered office at Praça D. João I, 28, Oporto, registered at the Commercial Registry of Oporto, with the single commercial and tax identification number 501 525 882 and the share capital of EUR 3,500,000,000.00.

Financial Highlights

Euro million

	31 Mar. 14	31 Mar. 13	Change 14 / 13
Balance sheet			
Total assets	82,348	89,474	-8.0%
Loans to customers (gross) (1)	59,392	61,394	-3.3%
Total customer funds (1)	64,720	65,863	-1.7%
Balance sheet customer funds (1)	52,647	54,193	-2.9%
Customer deposits (1)	48,957	48,797	0.3%
Loans to customers, net / Customer deposits (2)	116%	121%	
Loans to customers, net / Customer deposits (3)	116%	121%	
Results			
Net income	(40.7)	(152.0)	
Net interest income	236.4	179.2	31.9%
Net operating revenues	514.3	418.1	23.0%
Operating costs	283.6	296.3	-4.3%
Loan impairment charges (net of recoveries)	191.7	186.9	2.6%
Other impairment and provisions	59.4	50.8	16.9%
Income taxes			
Current	32.7	15.0	
Deferred	(38.1)	(42.8)	
Profitability			
Net operating revenues / Average net assets (2)	2.5%	1.9%	
Return on average assets (ROA) (4)	-0.1%	-0.6%	
Income before taxes and non-controlling interests / Average net assets (2)	-0.1%	-0.7%	
Return on average equity (ROE)	-6.7%	-19.7%	
Income before taxes and non-controlling interests / Average equity (2)	-2.7%	-17.3%	
Credit quality			
Overdue and doubtful loans / Total loans (2)	9.3%	8.8%	
Overdue and doubtful loans, net / Total loans, net (2)	3.8%	2.4%	
Credit at risk / Total loans (2)	11.7%	13.8%	
Credit at risk, net / Total loans, net (2)	6.3%	7.8%	
Impairment for loan losses / Overdue loans by more than 90 days (1)	80.4%	88.6%	
Efficiency ratios (2)			
Operating costs / Net operating revenues	55.1%	70.9%	
Operating costs / Net operating revenues (Portugal)	59.0%	87.1%	
Staff costs / Net operating revenues	31.1%	39.7%	
Capital			
Core tier I (2)	13.9%	12.1%	
Core tier I (EBA)	11.0%	9.6%	
Common equity tier I (CRD IV/CRR phase-in)	12.2%	-	
Tier I (2)	13.0%	11.5%	
Total (2)	14.8%	12.6%	
Branches			
Portugal activity	748	802	-6.7%
Foreign activity	733	860	-14.8%
Employees			
Portugal activity	8,504	8,954	-5.0%
Foreign activity	10,011	11,251	-11.0%

(1) Adjusted from the effect related to the sale of Millennium bank in Greece and the classification of Millennium bank in Romania and Millennium bcp Gestão de Activos as discontinued operation.
(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(3) Calculated in accordance with the definition from the Bank of Portugal.
(4) Considering net income before non-controlling interests.

RESULTS AND ACTIVITY IN THE FIRST QUARTER OF 2014

Following the sale of the entire share capital of Millennium bank in Greece, concluded on 19 June 2013, in accordance with the general conditions announced, and according to IFRS 5, Millennium bank in Greece was classified as a discontinued operation, during 2013, with the impact on results presented on a separate line item in the profit and loss account, defined as “income arising from discontinued operations”. As part of this, and in accordance with the referred accounting standard, the profit and loss account was restated as at 31 March 2013, for comparative purposes. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Greece were not included as at 31 March 2014, but remained in the criteria considered as at 31 March 2013. This fact has to be considered for comparative purposes.

Additionally, as regards the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) on the Bank’s Restructuring Plan, in particular the sale of Millennium bcp’s operation in Romania in the mid-term and the implementation of a new approach to the assets management business, the activities of Millennium bank in Romania and of Millennium bcp Gestão de Activos were also presented on the line item of “income arising from discontinued operations”, with the restatement of profit and loss account as at 31 March 2013, for comparative purposes. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Romania and of Millennium bcp Gestão de Activos remained in the criteria considered as at 31 March 2013.

However, for a better interpretation of the performance of the Group’s financial indicators, and for the purposes of this analysis, some balance sheet indicators are presented on a comparable basis, or in other words, excluding discontinued operations - Millennium bank in Romania and of Millennium bcp Gestão de Activos.

RESULTS

Millennium bcp’s **net income** was negative by Euro 40.7 million in the first quarter of 2014, which compares favourably with the net loss of Euro 152.0 million posted in the first quarter of 2013 and shows a trend towards the recovery of the profitability in Portugal and the growth of the contribution from international operations, in line with the Strategic Plan.

The performance of net income in the first quarter of 2014 reflects, primarily, the following:

- The favourable performance of net interest income, both in Portugal and international activity, increasing by 31.9% year-on-year and 0.9% quarter-on-quarter;
- The gains under net trading income related to Portuguese sovereign debt securities;
- The positive performance of operating costs, which decreased by 4.3% year-on-year.

Millennium bcp’s profitability remains constrained by the negative effects associated with the interest expense associated with the issuance of hybrid financial instruments (Euro 66.2 million in the first quarter of 2014), the cost of the Portuguese State guarantee to Bank's debt issues and the banking sector and guarantee/resolution funds contributions (Euro 24.3 million) and with the liability management operations undertaken in 2011 (Euro 39.5 million). In the first quarter of 2014, these effects impacted negatively the quarter’s profitability by Euro 92.2 million net of tax (Euro 104.1 million in the first quarter of 2013).

The net income in the first quarter of 2014 was hindered by the activity in Portugal, which still registered a net loss. However, when compared with the first quarter of 2013, the activity in Portugal registers an improvement of Euro 60.5 million in net income, driven by the positive performance of net interest income, net trading income and operating costs, showing a recovery trend in the profitability in Portugal, in line with the Strategic Plan.

Net income associated with the international activity, excluding discontinued operations, showed an increase of 18.1% from the first quarter of 2013, driven mainly by the growth of net operating revenues and by the control of operating costs in the international operations as a whole, reflecting the performance achieved by overall international operations, in particular in Poland, Angola and, excluding the foreign exchange effect of the devaluation of metical against the euro, also Mozambique.

Net interest income reached Euro 236.4 million in the first quarter of 2014, an increase of 31.9% from the Euro 179.2 million in the first quarter of 2013, driven by the positive performance of interest expense and similar charges, which more than offset the decrease of interest and similar income, as seen on a quarter-on-quarter basis.

The year-on-year performance of net interest income was influenced by the price effect resulting from the reduction of the cost of deposits, especially in Portugal, driven by the efforts taken to improve the deposits margin as foreseen in the Strategic Plan. In the first quarter of 2014, the interest rate of term deposits in Portugal decreased by 73 basis points on a year-on-year basis.

This effect more than offset the unfavourable business volume effect in the activity in Portugal, which continued to hinder net interest income, determined by a persistently adverse macroeconomic context and consequent retraction of credit demand, despite the fact that the Bank has maintained the implementation of initiatives to stimulate loan granting to economically viable projects.

Net interest income from the international activity increased by 21.0% year-on-year in the first quarter of 2014, due to the decrease of interest expense and similar charges in Poland, which more than offset the decrease of interest and similar income, and to the increase of interest and similar income in Mozambique and Angola, which more than offset the increase of interest expense and similar charges.

The net interest margin stood at 1.31% in the first quarter of 2014, which compares with 0.95% in the first quarter of 2013.

AVERAGE BALANCES

Euro million

	31 Mar.14		31 Mar.13	
	Balance	**Yield %**	**Balance**	**Yield %**
Deposits in banks	3,622	1.11	4,855	1.46
Financial assets	12,604	3.54	12,794	3.65
Loans and advances to customers	56,060	3.80	57,936	3.98
Interest earning assets	**72,286**	**3.62**	**75,585**	**3.76**
Discontinued operations (1)	442		3,585	
Non-interest earning assets	9,449		9,033	
	82,177		**88,203**	
Amounts owed to credit institutions	13,233	0.71	14,661	1.18
Amounts owed to customers	47,692	1.81	45,233	2.52
Debt issued	10,315	3.75	13,603	3.58
Subordinated debt	4,316	7.60	4,323	7.58
Interest bearing liabilities	**75,556**	**2.21**	**77,820**	**2.73**
Discontinued operations(1)	357		3,739	
Non-interest bearing liabilities	2,917		2,720	
Shareholders' equity and non-controlling interests	3,347		3,924	
	82,177		**88,203**	
Net interest margin		1.31		0.95

Note: Interest related to hedge derivatives were allocated, in March 2014 and 2013, to the respective balance sheet item.
(1) Includes the activity of the subsidiaries in Greece, in Romania and of Millennium bcp Gestão de Ativos, as well as, the respective consolidation adjustments.

Net commissions totalled euro 164.6 million in the first quarter of 2014, an increase of 2.7% year-on-year, determined by the international activity (+10.3%).

The performance of net commissions, in the first quarter of 2014, reflects:

- The growth of net commissions related to the financial markets (+32.5%), both securities operations and asset management, boosted by increases of 55.8% in the activity in Portugal and of 15.5% in the international activity;
- The decrease in net commissions related to the banking business (-3.1%), in particular in the activity in Portugal, reflecting the negative effect induced by the legislative changes associated with the commissioning of overdrafts, despite the increase of 8.3% in the international activity.

Net trading income stood at Euro 111.9 million in the first quarter of 2014, which compares with Euro 72.6 million in the first quarter of 2013.

The performance of net trading income was determined by the activity in Portugal, with highlight, on a year-on-year basis, to the favourable impact related to higher gains from Portuguese sovereign debt securities (Euro +61.6 million).

In the international activity, net trading income evolved from Euro 27.9 million, in the first quarter of 2013, to Euro 22.5 million, in the first quarter of 2014, restrained by the performance in Poland and Angola.

OTHER NET INCOME

Euro million

	31 Mar. 14	31 Mar. 13	Change 14/13
Net commissions	**164.6**	**160.3**	**2.7%**
Banking commissions	129.7	133.9	-3.1%
Cards and transfers	45.9	44.1	4.3%
Credit and guarantees	38.8	35.3	10.1%
Bancassurance	18.2	18.5	-2.0%
Current account related	19.4	31.3	-38.1%
Commissions related with the State guarantee	(10.3)	(17.3)	-
Other commissions	17.7	22.0	-19.6%
Market related commissions	34.9	26.3	32.5%
Securities	25.5	19.4	31.6%
Asset management	9.4	7.0	35.3%
Net trading income	**111.9**	**72.6**	**54.1%**
Other net operating income	**(15.0)**	**(8.1)**	**-**
Dividends from equity instruments	**3.3**	**-**	**-**
Equity accounted earnings	**13.1**	**14.1**	**-7.2%**
Total other net income	**277.9**	**238.9**	**16.3%**
Other net income / Net operating revenues	54.0%	57.1%	

Other net operating income was negative by Euro 15.0 million in the first quarter of 2014, which compares with a net loss of Euro 8.1 million in the first quarter of 2013, hindered by the banking sector and resolution fund contributions, introduced in 2013 and booked in the activity in Portugal, and by the gain of Euro 4.9 million accounted in the first quarter of 2013 in the subsidiary in Mozambique associated with the sale of real estate.

Dividends from equity instruments, which comprise dividends from financial assets available for sale, and **Equity accounted earnings**, which comprise fundamentally the appropriation of results associated with the 49% shareholding in Millenniumbcp Ageas, totalled Euro 16.4 million in the first quarter of 2014, which compares with Euro 14.1 million in the same period of 2013, as a result of dividends and income from investment fund units received in the period and the appropriation of results from financial stakes held by the Group.

Operating costs decreased by 4.3% to Euro 283.6 million in the first quarter of 2014, from Euro 296.3 million in the same period of 2013, on the back of continued savings efforts in Portugal, in line with the Strategic Plan targets.

In the activity in Portugal, operating costs in the first quarter of 2014 dropped by 6.9% year-on-year, due to lower levels of other administrative costs (-11.7%), materialising the impact of implemented initiatives focused on cost containment and rationalisation, as well as to lower staff costs (-3.7%), influenced by the decrease in the number of employees.

In the international activity, operating costs were broadly stable from the first quarter of 2013 (+0.1%), benefiting from the positive effect in Millennium bim in Mozambique, due to the foreign exchange effect of the devaluation of metical against the euro, and from the savings reached in Cayman, which offset the bulk of the increases posted by Banque Privée in Switzerland, Bank Millennium in Poland and Banco Millennium Angola.

OPERATING COSTS

Euro million

	31 Mar. 14	31 Mar. 13	Change 14/13
Staff costs	160.2	166.1	-3.5%
Other administrative costs	107.6	113.4	-5.2%
Depreciation	15.9	16.8	-5.5%
Operating costs	**283.6**	**296.3**	**-4.3%**
Of which:			
Portugal activity	172.6	185.4	-6.9%
Foreign activity	111.0	110.9	0.1%

Staff costs stood at Euro 160.2 million in the first quarter of 2014, a reduction of 3.5% year-on-year. This performance was influenced by the activity in Portugal (-3.7%), where the number of employees decreased by 450, year-on-year, as well as by the reduction of 3.2% in the international activity, as a result of the efforts towards rationalisation and optimisation of resources.

Other administrative costs reduced 5.2% to Euro 107.6 million in the first quarter of 2014, from Euro 113.4 million in the same period of 2013, driven by the costs rationalisation and containment in Portugal, including the resizing of the branch network (-54 branches from 31 March 2013), under the ongoing restructuring program, in spite of the increase in the international activity (+3.9%).

The performance of other administrative costs benefitted from the 11.7% year-on-year decrease in the activity in Portugal, materialising the savings achieved in most cost items, mainly consulting, rents and independent labour, despite the increase of 3.9% in the international activity, due mainly to the increase in advertising and sponsoring in the scope of initiatives associated with promoting the commercial offer.

Depreciation costs totalled Euro 15.9 million, decreasing by 5.5% year-on-year as a result of the decrease in the activity in Portugal (-10.3%), benefitting from lower depreciation costs associated with equipment, driven mostly by the gradual term of the depreciation period of the respective investments.

In the international activity, depreciation costs stood at the same level year-on-year, as the higher levels posted by the subsidiaries in Angola and Mozambique were broadly offset by the reduction in Bank Millennium in Poland.

Impairment for loan losses (net of recoveries) stood at Euro 191.7 million in the first quarter of 2014, which compares with Euro 186.9 million in the same period of 2013.

In Portugal, the performance of credit impairment (+1.2%) was influenced, on the positive side, by the effect of a continuous focus on monitoring risk control and management mechanisms, and, on the negative side, by the persistence of an unfavourable economic and financial environment that impacts the economic and financial situation of households and companies. In the international activity, credit impairment performance (+16.4%) was influenced by the higher level of impairment charges posted by Bank Millennium in Poland and Millennium bim in Mozambique, which were partially offset by lower levels in the subsidiary in Angola.

The cost of risk, excluding discontinued operations, stood at 129 basis points, which compares with 122 basis points in the first quarter of 2013 and with 135 basis points in the last quarter of 2013, showing a slowdown in the pace of impairment charges for loan losses on a quarter-on-quarter basis, both in the activity in Portugal and international.

Other impairment and provisions totalled Euro 59.4 million in the first quarter of 2014, which compares with Euro 50.8 million in the same period of 2013. This performance shows mostly the reinforcement of provisions related to guarantees and other commitments, notwithstanding the reduction in the level of impairments related to other assets.

Income tax (current and deferred) totalled Euro -5.4 million in the first quarter of 2014, which compares with Euro -27.8 million in the same period of 2013.

The income tax item includes current tax in the amount of Euro 32.7 million (Euro 15.0 million in the first quarter of 2013) and a deferred tax asset in the amount of Euro 38.1 million (Euro 42.8 million in the first quarter of 2013).

BALANCE SHEET

Total assets reached Euro 82,348 million in March 2014 (Euro 89,474 million as at 31 March 2013), compared with Euro 82,007 million as at 31 December 2013, reflecting increases in the securities portfolio and in other assets and a decrease in the loan portfolio in Portugal that was lower than the year-on-year decrease.

Loans to customers (gross) stood at Euro 59,869 million as at 31 March 2014, which compares with Euro 66,507 million as at 31 March 2013.

Excluding the effect of the loans portfolio associated with the operations in Greece and Romania, posted under the line item of discontinued operations, loans to companies decreased 3.3% year-on-year, due to lower demand for credit throughout 2013, despite improved economic activity in the last quarter of 2013.

This performance of the loans portfolio was influenced by the activity in Portugal (-5.4%), while international activity, excluding impact from discontinued operations, showed a year-on-year increase of 5.5%, reflecting growth in the subsidiaries in Poland, Angola and Mozambique. However, as from 31 December 2013, loans to customers remained almost stable (-0.6%), benefiting from the growth in international activity (+2.2%) and from a less pronounced rate of decrease in Portugal (-1.3%).

The evolution of loans to customers in the first quarter of 2014 reflects the year-on-year decrease in both loans to companies (-3.6%) and loans to individuals (-2.9%), influenced by the activity in Portugal. This reduction in loans to customers reveals the ongoing process to reduce the levels of indebtedness by households and companies, together with limited private investment and consequent lower demand for credit. On a quarter-on-quarter basis, credit to companies and to individuals in Portugal decreased 1.6% and 0.9% respectively.

In this context, despite the maintenance of a strict selectivity criteria for credit risk assessment, Millennium bcp continued to support Portuguese companies in several sectors (agriculture, industry, commerce, tourism and services), namely by supporting processes of growth, modernisation and competitiveness strengthening through promotion of a number of initiatives, with emphasis on boosting protocol credit facilities, especially credit lines for SMEs.

The structure of the loans to customers portfolio showed identical and stable levels of diversification on a year-on-year basis, with loans to companies representing 50% of total loans to customers, as at 31 March 2014.

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Mar. 14	31 Mar. 13	Change 14/13
Individuals	**29,747**	**30,639**	**-2.9%**
Mortgage	26,252	27,059	-3.0%
Consumer	3,495	3,580	-2.4%
Companies	**29,645**	**30,754**	**-3.6%**
Services	12,218	12,384	-1.3%
Commerce	3,289	3,194	3.0%
Construction	4,280	5,025	-14.8%
Other	9,857	10,151	-2.9%
Subtotal	**59,392**	**61,394**	**-3.3%**
Discontinued operations	477	5,113	
Total	**59,869**	**66,507**	**-10.0%**
Of which [1]:			
Portugal activity	46,632	49,295	-5.4%
Foreign activity	12,759	12,099	5.5%

(1) Excludes the impact from discontinued operations (Millennium bank in Greece and Millennium bank in Romania).

Credit quality, measured by loans overdue by more than 90 days as a percentage of total loans, adjusted for discontinued operations, stood at 7.2% at 31 March 2014, practically the same level of 7.1% as at 31 December 2013 (6.2% at 31 March 2013), mostly influenced by the performance of the loans to companies portfolio, hindered by the continued recessive environment in the Portuguese economy, still with impact on the materialisation of credit risk.

Considering the effect from the operations classified as discontinued, the coverage ratio for loans overdue by more than 90 days stood at 80.4% as at 31 March 2014, compared with 80.1% as at the end of 2013 (88.6% as at 31 March 2013), and the coverage ratio of the total loans overdue portfolio to impairments stood at 77.1% as at 31 March 2014, compared with 77.8% as at 31 December 2013 (82.2% as at 31 March 2013).

Overdue and doubtful loans stood at 9.3% of total loans at 31 March 2014, compared with 9.2% posted at the end of 2013 (8.8% as at 31 March 2013) and credit at risk stood at 11.7% of total loans as at 31 March 2014, compared with 11.9% at the year-end 2013 (13.8% as at 31 March 2013). As at 31 March 2014, restructured loans stood at 10.8% of total loans (9.5% as at 31 December 2013) and restructured loans not included in credit at risk stood at 7.3% of total loans, as at 31 March 2014 (6.4% as at 31 December 2013).

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 31 MARCH 2014

Euro million

	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days /Total loans	Coverage ratio (Impairment/ Overdue >90 days)
Individuals	**859**	**714**	**2.9%**	**83.1%**
Mortgage	240	276	0.9%	114.9%
Consumer	618	438	17.7%	70.8%
Companies	**3,396**	**2,708**	**11.5%**	**79.7%**
Services	1,089	1,115	8.9%	102.4%
Commerce	421	275	12.8%	65.4%
Construction	1,173	697	27.4%	59.4%
Other	713	621	7.2%	87.0%
Subtotal (1)	**4,255**	**3,422**	**7.2%**	**80.4%**
Millennium bank in Romania	59	40	12.3%	68.2%
Total	**4,314**	**3,462**	**7.2%**	**80.3%**

(1) Adjusted for the classification of Millennium bank in Romania as discontinued operation.

Total customer funds, excluding the aforementioned effect from discontinued operations, stood at Euro 64,720 million, which compares with Euro 65,863 million as at 31 March 2013. This evolution came mainly from the decrease in debt securities, reflecting the marketing effort aimed at a gradual replacement on maturity of bonds with customers into deposits, particularly in the retail network in Portugal.

Nonetheless, total customer funds in the first quarter 2014, excluding discontinued operations, increased 0.7% quarter-on-quarter showing a positive performance of:

- Customer deposits, which increased 0.3% year-on-year and 0.7% quarter-on-quarter leading to the reinforcement of stable funding resources and to the reduction of commercial gap, as well as to the improvement of the loan to deposit ratio, which reduced to 116% at 31 March 2014;
- Assets under management, which increased 26.3% year-on-year and 3.3% quarter-on-quarter.

In the activity in Portugal, total customer funds totalled Euro 48,658 million as at 31 March 2014 (Euro 50,504 million as at 31 March 2013), with highlight to the above mentioned trend, which reflected in customer deposits growth of 1.2% and balance sheet funds growth of 0.8%, both on a quarter-on-quarter basis.

In international activity, total customer funds rose to Euro 16,062 million as at 31 March 2014 (+4.6% from 31 March 2013), boosted by the growth in balance sheet customer funds and in off-balance sheet customer funds, as a reflection of the favourable performance in overall international operations, with highlight to the operations in Angola, Poland and Mozambique, reflecting the emphasis on further increasing customer funds in these markets.

Excluding discontinued operations, as at 31 March 2014, balance sheet customer funds represented 81% of total customer funds, with a highlight on customer deposits that increased their weight in total customer funds to 76% as at 31 March 2014 (74% as at 31 March 2013).

TOTAL CUSTOMER FUNDS

Euro million

	31 Mar. 14	31 Mar. 13	Change 14/13
Balance sheet customer funds	**52,647**	**54,193**	**-2.9%**
Deposits	48,957	48,797	0.3%
Debt securities	3,690	5,396	-31.6%
Off-balance sheet customer funds	**12,073**	**11,670**	**3.5%**
Assets under management	3,277	2,594	26.3%
Capitalisation products	8,797	9,076	-3.1%
Subtotal	**64,720**	**65,863**	**-1.7%**
Discontinued operations	1,935	4,759	
Total	**66,655**	**70,622**	**-5.6%**
Of which [(1)]:			
Portugal activity	48,658	50,504	-3.7%
Foreign activity	16,062	15,359	4.6%

(1) Excludes the impact from discontinued operations (Millennium bank in Greece, Millennium bank in Romania and Millennium bcp Gestão de Activos).

The **securities portfolio** totalled Euro 14,474 million as at 31 March 2014, which compares with Euro 15,587 million as at 31 March 2013, representing 17.6% of total assets as at 31 March 2014, at broadly the same level as at 31 March 2013 (17.4% of total assets).

This evolution reflects the reduction of financial assets held for trading and of financial assets held to maturity and was influenced by the reduction in the portfolio of sovereign debt financial instruments.

LIQUIDITY MANAGEMENT

In the first quarter of 2014 the Bank started to implement its 2014 Liquidity Plan, aimed at strengthening the balance sheet customer funds and at a dynamic management of the portfolio of eligible assets in the European Central Bank (ECB), having also taking advantage of the opportunities revealed by the wholesale funding market.

As at 31 March 2014 balance sheet customer funds showed a favourable performance from the end of 2013 contributing to an additional and sustained reduction of commercial gap.

Concerning the wholesale funding composition, favourable market conditions allowed the return, ahead of schedule, of the Bank to the capital markets in February, through an issue of senior debt amounting to Euro 500 million, which in the Liquidity Plan was expected to occur in the third quarter of 2014. As expected in the Liquidity Plan, the Bank pursued the diversification of its funding sources, in particular through the increase of the balance of repos with international financial institutions and collateralised by securities.

The active and optimised management of eligible assets in the Eurosystem comprised in the first quarter of 2014, among other, the following actions: the unwinding of two securitisation transactions and re-allocation to the pool of the underlying assets under the form of additional credit rights; the adoption of a new framework that allowed the selection of a material amount of new credit assets that were posted to the pool and the extension of the maturity (to 2017) of a retained issue of covered bonds.

The sustained reduction of market financing needs, shown by a decrease of the net funding in the Eurosystem from Euro 9.9 billion as at 31 December 2013 to Euro 9.2 billion as at 31 March 2014, the return to capital markets through a senior debt issue and the continued optimised management of the eligible assets assured, led to the maintenance of a comfortable liquidity buffer and to a early redemption of a Euro 2.0 billion issue guaranteed by the State (Euro 1.8 billion after haircuts).

The evolution of the liquidity position of the Bank also allowed, in the first quarter of 2014, for the early redemption of a new Long-Term Refinancing Operation (LTRO) tranche of Euro 1.0 billion, out of an original total of Euro 12.0 billion, reducing its current balance to Euro 10.0 billion and allowing increased flexibility in short-term treasury management.

CAPITAL

On 26 June 2013, the European Parliament and Council approved Directive 2013/36/EU and Regulation (EU) N. 575/2013 (*Capital Requirements Directive IV/Capital Requirements Regulation* - CRD IV/CRR) that established new and more demanding capital requirements for credit institutions, with effects as from 1 January 2014.

These stricter requirements result from more narrowly defined capital and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer of 7% for common equity Tier 1 (CET1) and Tier 1 capital (T1) and of 10.5% for the total ratio. The CRD IV/CRR also stipulates a transitional period (phase-in) in which institutions may accommodate the new requirements, both in terms of own funds and of compliance with minimum capital ratios.

Nevertheless, Bank of Portugal, through Notice N. 6/2013 of 23 December, stipulated the obligation to ensure the maintenance of a CET1 ratio not lower than 7%, determining the adoption of capital conservation measures whenever this will not occur.

According to our interpretation of CRD IV/CRR to date, CET1 ratios estimated at 31 March 2014 amounted to 12.2% by the standards of the phase-in.

Moreover, the core tier I ratio stood at 13.9%, calculated in accordance with the rules of Bank of Portugal, and at 11.0% in accordance with the criteria of the European Banking Authority (EBA), representing an increase of 19 basis points and 12 basis points, respectively, from the ratios of 13.8% and 10.8% reported for the year-end 2013.

The evolution of these ratios reflects the positive effect of the reduction in risk weighted assets in the first quarter 2014, associated with the reduction of exposures and of credit risk levels in Portugal and with savings in Poland, despite increase in risk weighted assets for market risks.

CET1 ratios estimated in accordance with CRD IV/CRR compare unfavorably with the core tier I ratio of Bank of Portugal mainly due to the impact of deductions that apply additionally to the CET1, in respect to the difference between impairment and expected loss, to minority interests, to the pension fund corridor, to financial investments and deferred taxes, on the one hand, and to the worsening of weighted risks associated with deferred taxes and financial investments not deducted to CET1, despite the more favorable treatment enjoyed by the credit portfolio exposures to small and medium enterprises, on the other hand.

On 22 July 2013, EBA issued a recommendation establishing the preservation of capital, in absolute value, necessary to meet the previously anticipated minimum ratio of 9%, with reference to the capital requirements of 30 June 2012, including the same capital buffer for exposures with sovereign risk, in order to ensure a smooth transition to the minimum capital requirements imposed by the CRD IV/CRR.

This recommendation provides for some exceptions, particularly for institutions involved in the process of restructuring and orderly gradual deleveraging, for which the minimum nominal capital can be fixed with reference to the capital requirements determined in a later reference date, by means of request that institutions may submit to Bank of Portugal and for which they obtain permission. In this context, Millennium bcp, in due time made this request which is under appraisal to date.

The core tier 1 surplus, resulting from the application of the recommendation on capital preservation, determined as at 31 March 2014 and 31 December 2013, taking the capital requirements established in each of these dates as reference for surplus calculation, was of Euro 843 million and Euro 805 million, respectively, reflecting the performance of EBA's core tier I ratio.

SOLVENCY (Basel II)

Euro million

	31 Mar. 14	31 Dec. 13
Own funds		
Core tier I	6,022	6,040
Preference shares and perpetual subordinated debt securities with conditional coupons	22	40
Other deduction [1]	(442)	(434)
Tier I capital	5,602	5,646
Tier II capital	894	880
Deductions to total regulatory capital	(105)	(106)
Total regulatory capital	**6,392**	**6,421**
Risk weighted assets	**43,208**	**43,926**
Solvency ratios		
Core tier I	13.9%	13.8%
Tier I	13.0%	12.9%
Tier II	1.8%	1.8%
Total	14.8%	14.6%
Core tier I ratio EBA [2]	11.0%	10.8%
Capital preservation [3]	843	805

(1) Includes deductions related to the shortfall of the stock of impairment to estimated losses and to significant shareholdings in unconsolidated financial institutions, in particular to the shareholdings held in Millenniumbcp Ageas and Banque BCP (France and Luxembourg).

(2) Core tier I ratio in accordance with the criteria of EBA. In this scope, core tier I in accordance with the rules of the Bank of Portugal was deducted of the "Other deductions (1)" and of the buffer to sovereign risks (Euro 848 million); the risk weighted assets do not have adjustments. This ratio will be revoked, according to the EBA recommendation (EBA/REC/2013/03 of 22 July 2013).

(3) These amounts represent the surplus of core tier I resulting from the new EBA Recommendation on the preservation of capital levels (EBA/REC/2013/03 of 22 July 2013), assuming the capital requirements reported in each of those dates as the reference for the calculations, because it has not yet been communicated by the competent authorities the applicable date.

SIGNIFICANT EVENTS

The promotion of a series of commercial initiatives aimed at contributing to the recovery of profitability in Portugal, Millennium bcp's return to wholesale funding markets about four years after the last issue made, the launch of a service for its Shareholders through which Millennium bcp seeks to be closer to its Retail Shareholders, and the launch of solutions and services with distinctive characteristics allied to innovation, affordability and convenience in the core operations of the Group, represented the most significant events in the Bank's activity in the first quarter of 2014. Highlights during this period include:

- On 19 February 2014, issue of Euro 500 million of notes, representing senior unsecured debt with a maturity of 3 years and a coupon of 3.375% per annum.
- Launch on 4 February 2014, of a service for Shareholders, Millennium bcp Acionistas, through which the Bank intends to strengthen its relationship with its Shareholders. Through this service, Shareholders of the Bank, in addition to having access to products and services of the Bank on preferential terms, can benefit from advantages and discounts agreed between the Millennium bcp and its commercial partners.
- On March 27, 2014 a "Millennium Companies Days" event was held in Caldas da Rainha, in order to be closer to Portuguese companies, supporting their internationalisation and strengthening competitiveness.
- ActivoBank launched a new multi-media advertising campaign centered on the account opening process, eliminating the use of paper.
- A strong campaign for Portuguese companies was launched, announced on the covers of major general and economic daily newspapers, marked by the innovation of the financial offer.
- Millennium bcp launched the Savings Center, an innovative service that brings together a set of tools and applications that help customers save by offering attractive solutions tailored to each customer's profile.
- Participation of Millennium bcp Microcredit in the Idea Lab, an initiative promoted by the European Microfinance Network in Brussels, aiming to develop innovative ideas in the field of Microfinance.
- Launch by Bank Millennium in Poland of a unique solution that allows one to obtain credit and increase the limit of the credit card through a mobile application.
- Launch by Bank Millennium in Poland of the Rapid Withdrawal Credit product available to customers without the need to submit an income statement.
- Signing of a Protocol between the Calouste Gulbenkian Foundation, the Camões Institute for the Cooperation and Language, Millennium bim and the Millennium bcp Foundation which aims to support the treatment of cancer patients at Maputo Central Hospital in Mozambique.
- Opening by the Millennium bcp Foundation of an archaeology exhibition, "Pre-Classical Lisbon, a Mediterranean port on the Atlantic seaboard" at the Millennium Gallery on Rua Augusta in Lisbon.
- On 14 February 2014, the exhibition "Amores" was opened by the Millennium bcp Foundation, presenting traditional Valentine's Day scarves of Viana do Castelo and the paint of Paula Rego "Scarf of Love".
- Election of Médis for the sixth time and fourth year in a row as Trusted Brand in the category of Health Insurance, by readers of Reader's Digest magazine.
- Distinction of Bank Millennium in Poland at the "2014 European Structured Products Awards" in the category of "Best Structured Products Distributor in Poland in 2013".
- Recognition of Millennium bim for performance in the banking industry, named the "Best Bank in Mozambique 2014" for the fifth year in a row by *Global Finance* magazine.
- Recognition of Millennium bim by consumers as "Best Brand of Mozambique" in the banking sector. The prize is awarded annually by the organisation of the Best Brands of Mozambique, a partnership between DDB and Intercampus.

MACROECONOMIC ENVIRONMENT

According to the IMF, global activity has been strengthening, a trend that should consolidate further throughout the current year, largely due to the greater vigor of the more developed economies, the growth of which is estimated to accelerate to 2.2% in 2014, benefiting in particular from the positive contribution of the euro area, after two consecutive years of recession. The emerging economies, still marred by restrictive financial conditions and structural insufficiencies, will maintain a GDP expansion rate short of 5%, though still contributing with two-thirds of world's growth in 2014. The IMF considers that the uncertainty surrounding the global recovery has somewhat dissipated despite the persistence of important risks in some emerging markets, including China, the worsening of geopolitical tensions, and the potentially adverse effects stemming from the low levels of inflation in the more advanced economies.

In the first three months of 2014 the behaviour of international financial markets was characterised by successive record highs of the main American equity indexes and by the strong performance of the European counterparts, reflecting expectations of a stronger economic recovery and the still extremely accommodating stance of the global monetary policy. These developments, however, have not been accompanied by a rise in interest rates or by an appreciation of the corporate debt segment. Still within the debt markets, it should be highlighted the progress made by the government bonds of the euro area's periphery, whose yields recorded material falls, including in Portugal. The emerging markets' assets continued to show modest or even negative performances across the majority of financial asset classes, mirroring the slowdown of the BRIC economies as well as the lower investors' preferences towards this risk typology.

Against expectations of a total lack of inflationary pressures, in a context of a below average expansion of the world economy, most central banks maintained and, in some cases, reinforced, the degree of accommodation of the respective monetary policies. The main exception to this rule came from the US Federal Reserve, which in January started to taper the amount of liquidity injected in the financial system via its program of debt securities purchases. The ECB, after cutting the main refinancing rate to 0.25% in November, announced its intention to implement non-conventional measures in order to pull inflation closer to 2%. The ECB's activism together with the improvement of economic conditions in the euro area favoured the decrease of the interest rates for loans in the periphery, mitigating the fragmentation of the banking system of the countries that share the single currency.

According to Statistics Portugal, in the fourth quarter of 2013 the Portuguese GDP recorded an annual growth rate of 1.6% - the first positive observation since the end of 2010. This result benefited from the positive progress of domestic demand, especially in consumption and investment in fixed capital. The most relevant economic activity indicators pertaining to the first quarter of 2014 suggest, however, some loss of momentum of the recovery that started in the previous year, something that is particularly patent in the net external demand, in a context of slowing exports and accelerating imports. Yet, the almost certain timely conclusion of the Economic Adjustment Program and the sheer improvement in investors' sentiment regarding Portugal's prospects of economic and financial rehabilitation contributed to the generalised appreciation of Portuguese assets, with emphasis on the very substantial fall of the yields on government bonds.

For 2014, the IMF predicts a considerable acceleration of activity in Poland (3.1%) and a slowdown in Romania (2.2%), though in both cases domestic demand should provide the main impetus to growth. Notwithstanding the worsening of the tensions in Ukraine, both the zloty and the leu remained relatively stable, which combined with the benign inflation perspectives should allow the respective central banks to proceed with the current expansionary stance of their monetary policies. In Mozambique, the intensification of foreign direct investment associated with megaprojects continues to propel the economy, which the IMF expects to increase 8.3% this year. In Angola, the persistence of oil prices at elevated levels and the strong pace of public investment directed at the expansion and improvement of infrastructures point to a growth rate of GDP in 2014 of 5.3%.

GLOSSARY

Capitalisation products – includes unit link and retirement saving plans.

Cost of risk - ratio of impairment charges (net of recoveries) to the loan portfolio.

Credit at risk – definition that, according to the Bank of Portugal, is broader than the overdue loans by more than 90 days + doubtful loans, including, in particular, the possibility that debtors with overdue payments still do not fulfil their credit responsibilities. For detailed definition see instruction from the Bank of Portugal no. 16/2004, as the currently existing version.

Debt securities - debt securities issued by the Bank and placed with customers.

Dividends from equity instruments - dividends received from investments in financial assets available for sale.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having a significant influence, the Group does not control the financial and operational policies.

Net interest margin - net interest income as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, equity accounted earnings and other net operating income.

Net trading income - net gains/losses arising from trading and hedging activities, net gains/losses arising from available for sale financial assets, net gains/losses arising from financial assets held to maturity.

Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions - other financial assets impairment, other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, goodwill impairment and other provisions.

Other net income – net commissions, net trading income, other net operating income, dividends from equity instruments and equity accounted earnings.

Other net operating income - other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets.

Overdue and doubtful loans - loans overdue by more than 90 days and the doubtful loans reclassified as overdue loans for provisioning purposes.

Securities portfolio - financial assets held for trading, financial assets available for sale, assets with repurchase agreement and financial assets held to maturity.

Total customer funds - amounts due to customers (including securities), assets under management and capitalisation products.

"Disclaimer"

The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards ("IFRS") of BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002.

The figures presented do not constitute any form of commitment by BCP in regard to future earnings.

First three months figures for 2013 and 2014 not audited.

CONSOLIDATED INDICATORS: ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	31 Mar 14	31 Mar 13	Change 14/13	31 Mar 14	31 Mar 13	Change 14/13	31 Mar 14	31 Mar 13	Change 14/13
Income statement									
Net interest income	236.4	179.2	31.9%	97.0	64.0	51.4%	139.4	115.2	21.0%
Dividends from equity instruments	3.3	-	-	2.1	-	-	1.2	-	-
Net fees and commission income	164.6	160.3	2.7%	104.1	105.4	-1.2%	60.5	54.9	10.3%
Other operating income	(15.0)	(8.1)	-	(13.0)	(15.5)	-	(2.0)	7.4	-
Net trading income	111.9	72.6	54.1%	89.4	44.7	99.8%	22.5	27.9	-19.2%
Equity accounted earnings	13.1	14.1	-7.2%	13.1	14.1	-7.2%	-	-	
Net operating revenues	**514.3**	**418.1**	**23.0%**	**292.6**	**212.7**	**37.6%**	**221.7**	**205.4**	**7.9%**
Staff costs	160.2	166.1	-3.5%	105.9	110.0	-3.7%	54.2	56.0	-3.2%
Other administrative costs	107.6	113.4	-5.2%	58.4	66.1	-11.7%	49.1	47.3	3.9%
Depreciation	15.9	16.8	-5.5%	8.3	9.2	-10.3%	7.6	7.6	0.2%
Operating costs	**283.6**	**296.3**	**-4.3%**	**172.6**	**185.4**	**-6.9%**	**111.0**	**110.9**	**0.1%**
Operating profit before impairment	**230.7**	**121.8**	**89.4%**	**120.0**	**27.3**	**-**	**110.7**	**94.5**	**17.1%**
Loans impairment (net of recoveries)	191.7	186.9	2.6%	171.6	169.6	1.2%	20.2	17.3	16.4%
Other impairment and provisions	59.4	50.8	16.9%	60.8	47.8	27.4%	(1.5)	3.0	-
Profit before income tax	**(20.4)**	**(115.9)**	**-**	**(112.4)**	**(190.0)**	**-**	**92.0**	**74.1**	**24.0%**
Income tax	(5.4)	(27.8)	-	(24.3)	(41.6)	-	18.8	13.8	36.6%
Income after income tax from continuing operations	**(15.0)**	**(88.1)**	**-**	**(88.1)**	**(148.4)**	**-**	**73.2**	**60.4**	**21.2%**
Income arising from discontinued operations	(0.3)	(43.8)	-	-	-		-	-	
Non-controlling interests	25.4	20.1	26.2%	-	0.2	-	25.4	19.9	27.5%
Net income	**(40.7)**	**(152.0)**	**-**	**(88.2)**	**(148.7)**	**-**	**47.8**	**40.5**	**18.1%**
Balance sheet and activity indicators									
Total assets	**82,348**	**89,474**	**-8.0%**	**63,219**	**66,997**	**-5.6%**	**19,129**	**22,478**	**-14.9%**
Total customer funds (1)	**64,720**	**65,863**	**-1.7%**	**48,658**	**50,504**	**-3.7%**	**16,062**	**15,359**	**4.6%**
Balance sheet customer funds (1)	**52,647**	**54,193**	**-2.9%**	**37,912**	**40,048**	**-5.3%**	**14,735**	**14,145**	**4.2%**
Deposits	48,957	48,797	0.3%	34,333	34,766	-1.2%	14,624	14,031	4.2%
Debt securities	3,690	5,396	-31.6%	3,579	5,282	-32.2%	111	114	-2.9%
Off-balance sheet customer funds (1)	**12,073**	**11,670**	**3.5%**	**10,747**	**10,455**	**2.8%**	**1,327**	**1,215**	**9.2%**
Assets under management	3,277	2,594	26.3%	2,444	1,787	36.8%	832	807	3.1%
Capitalisation products	8,797	9,076	-3.1%	8,302	8,668	-4.2%	495	408	21.3%
Discontinued operations	**1,935**	**4,759**	**-59.4%**	**1,588**	**1,473**	**7.8%**	**347**	**3,287**	**-89.5%**
Loans to customers (gross) (1)	**59,392**	**61,394**	**-3.3%**	**46,632**	**49,295**	**-5.4%**	**12,759**	**12,099**	**5.5%**
Individuals (1)	**29,747**	**30,639**	**-2.9%**	**21,869**	**22,861**	**-4.3%**	**7,878**	**7,778**	**1.3%**
Mortgage	26,252	27,059	-3.0%	19,725	20,438	-3.5%	6,527	6,621	-1.4%
Consumer	3,495	3,580	-2.4%	2,144	2,423	-11.5%	1,351	1,157	16.8%
Companies (1)	**29,645**	**30,754**	**-3.6%**	**24,763**	**26,434**	**-6.3%**	**4,881**	**4,321**	**13.0%**
Services	12,218	12,384	-1.3%	11,286	11,423	-1.2%	933	962	-3.0%
Commerce	3,289	3,194	3.0%	2,219	2,361	-6.0%	1,070	832	28.5%
Construction	4,280	5,025	-14.8%	3,661	4,380	-16.4%	619	646	-4.1%
Other	9,857	10,151	-2.9%	7,598	8,270	-8.1%	2,260	1,881	20.1%
Discontinued operations	**477**	**5,113**	**-90.7%**	**-**	**-**		**477**	**5,113**	
Credit quality									
Total overdue loans (1)	4,441	4,111	8.0%	4,131	3,744	10.3%	310	366	-15.3%
Overdue loans by more than 90 days (1)	4,255	3,811	11.7%	3,962	3,463	14.4%	293	347	-15.6%
Overdue loans by more than 90 days /Total loans (1)	7.2%	6.2%		8.5%	7.0%		2.3%	2.9%	
Total impairment (balance sheet) (1)	3,422	3,378	1.3%	2,989	2,942	1.6%	432	435	-0.7%
Total impairment (balance sheet) /Total loans (1)	5.8%	5.5%		6.4%	6.0%		3.4%	3.6%	
Total impairment (balance sheet) /Overdue loans by more than 90 days (1)	80.4%	88.6%		75.5%	85.0%		147.5%	125.3%	
Cost of risk (net of recoveries, in b.p.) (1)	129	122		147	138		63	57	
Restructured loans / Total loans (2)	10.8%								
Restructured loans not included in the credit at risk / Total loans (2)	7.3%								

(1) Adjusted from the effect related to operations classified under the line item of discontinued operations.

(2) According to Instruction from the Bank of Portugal no. 32/2013, as the currently existing version.

INDIVIDUAL/CONSOLIDATED QUARTERLY INFORMATION (Not Audited)
(Model applicable to companies subject to the Accounting Plan for Banks/Leasing/Factoring companies)

Company: Banco Comercial Português, S.A.

Main Offices: Praça D. João I, 28 - 4000-295 Porto **NIPC: 501 525 882**

Period of Reference: **Reference values in 000Esc** ☐ **in Euros** ☒

Quarter 1 ☒ **Quarter 3** ☐ **Quarter 5** [(1)] ☐ **Start: 01/01/2014 End: 31/03/2014**

Balance Sheet Items	Individual			Consolidated		
	n (NCA)	n-1 (NCA)	Var. (%)	n (IAS)	n-1 (IAS)	Var. (%)
ASSETS (NET)						
Loans to other credit institutions [(2)]	6,711,351,204	13,208,745,416	-49.19%	2,727,439,347	2,507,585,850	8.77%
Loans to clients	39,628,675,253	42,506,767,481	-6.77%	56,407,250,916	62,155,955,187	-9.25%
Fixed income securities	10,114,132,300	14,556,556,667	-30.52%	12,314,551,397	13,258,931,108	-7.12%
Variable yield securities	2,805,281,959	2,685,681,221	4.45%	2,158,960,095	2,327,941,204	-7.26%
Investments	4,114,275,573	3,491,287,703	17.84%	596,205,893	524,975,774	13.57%
SHAREHOLDER'S AND EQUIVALENT EQUITY						
Equity Capital	3,500,000,000	3,500,000,000	0.00%	3,500,000,000	3,500,000,000	0.00%
Nº of ordinary shares	19,707,167,060	19,707,167,060	-	19,707,167,060	19,707,167,060	-
Nº of other shares	0	0	-			-
Value of own shares	0	0	-	22,914,459	7,566,758	202.83%
Nº of voting shares	0	0	-	100,944,752	79,650,089	-
Nº of preferred, non voting shares	0	0	-			-
Subordinate loans	6,076,290,692	5,999,092,816	1.29%	4,368,693,743	4,364,858,559	0.09%
Minority interests	0	0	-	700,968,449	641,386,347	9.29%
LIABILITIES						
Amounts owed to credit institutions	14,946,581,222	16,872,463,179	-11.41%	12,748,094,651	13,944,952,790	-8.58%
Amounts owed to clients	34,267,684,339	34,861,144,693	-1.70%	49,303,399,934	52,037,365,922	-5.25%
Debt securities	11,004,132,020	17,468,773,267	-37.01%	9,887,136,762	12,200,773,634	-18.96%
TOTAL ASSETS (NET)	70,119,809,905	84,475,689,641	-16.99%	82,348,319,065	89,474,369,960	-7.96%
TOTAL SHAREHOLDER'S EQUITY	1,756,595,384	3,449,495,252	-49.08%	2,637,551,772	3,227,079,296	-18.27%
TOTAL LIABILITIES	68,363,214,521	81,026,194,389	-15.63%	79,009,798,844	85,605,904,317	-7.71%

P & L Items	Individual			Consolidated		
	n	n-1	Var. (%)	n	n-1	Var. (%)
Financial margin [(3)]	64,015,129	41,995,309	52.43%	236,393,099	179,222,681	31.90%
Commissions and other oper. revenue (net)	106,926,838	118,111,397	-9.47%	149,270,218	108,351,289	37.77%
Securities yield and profits from financial transactions (net)	547,520,967	26,926,978	1933.35%	111,536,867	66,832,852	66.89%
Banking Income	718,462,934	187,033,684	284.14%	497,200,184	354,406,822	40.29%
Personnel, administ. and other costs	-170,776,503	-182,384,029	-6.36%	-267,720,821	-279,469,093	-4.20%
Amortizations	-6,370,460	-7,427,153	-14.23%	-15,880,096	-16,812,408	-5.55%
Provisions (net of adjustments)	-602,057,893	-426,221,138	41.25%	-247,454,765	-231,871,697	6.72%
Extraordinary profit	0	0	n.a.	0	0	n.a.
Profit before taxes	-60,741,922	-428,998,636	-85.84%	-33,855,498	-173,746,376	-80.51%
Income tax [(4)]	41,899,993	104,350,368	-59.85%	5,449,249	27,826,046	-80.42%
Minority interests and income excluded from consolidation	0	0	-	-12,323,943	-6,041,967	103.97%
Net profit / loss for the quarter	-18,841,929	-324,648,268	-94.20%	-40,730,192	-151,962,297	-73.20%
Net profit / loss per share for the quarter	-0.0054	-0.0928	-94.20%	-0.0021	-0.0077	-73.20%
Self financing [(5)]	589,586,424	109,000,023	440.90%	222,604,669	96,721,808	130.15%

(1) Aplicable to the first economic period of companies adopting a fiscal year different from the calendar year (Art.65.º - A of the Portuguese Commercial Company Code)

(2) Includes repayable on demand to credit institutions

(3) Financial margin = Interest income - Interest expense

(4) Estimated income tax

(5) Self financing = Net profits + amortization + provision

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the three months period ended 31 March, 2014 and 2013

	31 March 2014	31 March 2013
	(Thousands of Euros)	
Interest and similar income	671,231	722,908
Interest expense and similar charges	(434,838)	(543,686)
Net interest income	236,393	179,222
Dividends from equity instruments	3,273	38
Net fees and commission income	164,645	160,255
Net gains / losses arising from trading and hedging activities	18,441	31,923
Net gains / losses arising from available for sale financial assets	93,468	40,977
Net gains / (losses) arising from financial assets held to maturity	-	(278)
Other operating income	(12,968)	(11,490)
	503,252	400,647
Other net income from non banking activity	4,048	4,809
Total operating income	507,300	405,456
Staff costs	160,171	166,050
Other administrative costs	107,550	113,419
Depreciation	15,880	16,812
Operating costs	283,601	296,281
Operating net income before provisions and impairments	223,699	109,175
Loans impairment	(191,739)	(186,929)
Other financial assets impairment	(3,645)	(5,828)
Other assets impairment	(15,323)	(34,730)
Other provisions	(40,393)	(10,213)
Operating net income	(27,401)	(128,525)
Share of profit of associates under the equity method	13,079	14,094
Gains / (losses) from the sale of subsidiaries and other assets	(6,108)	(1,448)
Net (loss) / income before income tax	(20,430)	(115,879)
Income tax		
Current	(32,659)	(15,009)
Deferred	38,108	42,835
Net (loss) / income after income tax from continuing operations	(14,981)	(88,053)
Income arising from discontinued operations	(346)	(43,774)
Net income after income tax	(15,327)	(131,827)
Attributable to:		
Shareholders of the Bank	(40,730)	(151,962)
Non-controlling interests	25,403	20,135
Net income for the period	(15,327)	(131,827)
Earnings per share (in euros)		
Basic	(0.01)	(0.03)
Diluted	(0.01)	(0.02)

BANCO COMERCIAL PORTUGUÊS

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

	31 March 2014	31 December 2013	31 March 2013
		(Thousands of Euros)	
Assets			
Cash and deposits at central banks	2,449,049	2,939,663	2,720,085
Loans and advances to credit institutions			
Repayable on demand	657,456	1,054,030	776,815
Other loans and advances	2,069,983	1,240,628	1,730,770
Loans and advances to customers	56,407,251	56,802,197	62,155,955
Financial assets held for trading	1,364,637	1,290,079	1,939,793
Financial assets available for sale	10,105,204	9,327,120	10,145,753
Assets with repurchase agreement	80,370	58,268	85,622
Hedging derivatives	76,257	104,503	173,535
Financial assets held to maturity	2,923,300	3,110,330	3,415,703
Investments in associated companies	596,206	578,890	524,976
Non current assets held for sale	1,502,448	1,506,431	1,308,406
Investment property	190,324	195,599	550,879
Property and equipment	730,877	732,563	620,922
Goodwill and intangible assets	249,447	250,915	255,545
Current tax assets	38,914	41,051	29,900
Deferred tax assets	2,192,024	2,181,405	1,809,746
Other assets	714,570	593,361	1,229,963
	82,348,317	82,007,033	89,474,368
Liabilities			
Amounts owed to credit institutions	12,748,094	13,492,536	13,944,952
Amounts owed to customers	49,303,400	48,959,752	52,037,366
Debt securities	9,887,137	9,411,227	12,200,774
Financial liabilities held for trading	873,016	869,530	1,256,315
Hedging derivatives	247,153	243,373	267,047
Provisions for liabilities and charges	410,139	365,960	273,485
Subordinated debt	4,368,694	4,361,338	4,364,859
Current income tax liabilities	13,650	24,684	9,633
Deferred income tax liabilities	7,525	6,301	3,019
Other liabilities	1,150,990	996,524	1,248,452
Total Liabilities	79,009,798	78,731,225	85,605,902
Equity			
Share capital	3,500,000	3,500,000	3,500,000
Treasury stock	(34,531)	(22,745)	(16,448)
Share premium	-	-	71,722
Preference shares	171,175	171,175	171,175
Other capital instruments	9,853	9,853	9,853
Fair value reserves	143,726	22,311	18,670
Reserves and retained earnings	(1,111,942)	(356,937)	(375,930)
Net income for the period attributable to Shareholders	(40,730)	(740,450)	(151,962)
Total Equity attributable to Shareholders of the Bank	2,637,551	2,583,207	3,227,080
Non-controlling interests	700,968	692,601	641,386
Total Equity	3,338,519	3,275,808	3,868,466
	82,348,317	82,007,033	89,474,368

Banco Comercial Português

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the three months period ended 31 March, 2014 and 2013

	Notes	31 March 2014	31 March 2013
		(Thousands of Euros)	
Interest and similar income	3	671,231	722,908
Interest expense and similar charges	3	(434,838)	(543,686)
Net interest income		236,393	179,222
Dividends from equity instruments	4	3,273	38
Net fees and commissions income	5	164,645	160,255
Net gains / (losses) arising from trading and hedging activities	6	18,441	31,923
Net gains / (losses) arising from financial assets available for sale	7	93,468	40,977
Net gains / (losses) arising from financial assets held to maturity	8	-	(278)
Other operating income / (costs)	9	(12,968)	(11,490)
		503,252	400,647
Other net income from non banking activities		4,048	4,809
Total operating income		507,300	405,456
Staff costs	10	160,171	166,050
Other administrative costs	11	107,550	113,419
Depreciation	12	15,880	16,812
Operating expenses		283,601	296,281
Operating net income before provisions and impairment		223,699	109,175
Loans impairment	13	(191,739)	(186,929)
Other financial assets impairment	14	(3,645)	(5,828)
Other assets impairment	28 and 33	(15,323)	(34,730)
Other provisions	15	(40,393)	(10,213)
Operating net loss		(27,401)	(128,525)
Share of profit of associates under the equity method	16	13,079	14,094
Gains / (losses) arising from the sale of subsidiaries and other assets	17	(6,108)	(1,448)
Net loss before income tax		(20,430)	(115,879)
Income tax			
Current	32	(32,659)	(15,009)
Deferred	32	38,108	42,835
(Loss) / income after income tax from continuing operations		(14,981)	(88,053)
(Loss) / income arising from discontinued operations	18	(346)	(43,774)
Net loss after income tax		(15,327)	(131,827)
Consolidated net (loss) / income for the period attributable to:			
Shareholders of the Bank		(40,730)	(151,962)
Non-controlling interests	45	25,403	20,135
Net loss for the period		(15,327)	(131,827)
Earnings per share (in Euros)	19		
Basic		(0.01)	(0.03)
Diluted		(0.01)	(0.03)

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

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

	Notes	31 March 2014	31 December 2013
		(Thousands of Euros)	
Assets			
Cash and deposits at Central Banks	20	2,449,049	2,939,663
Loans and advances to credit institutions			
Repayable on demand	21	657,456	1,054,030
Other loans and advances	22	2,069,983	1,240,628
Loans and advances to customers	23	56,407,251	56,802,197
Financial assets held for trading	24	1,364,637	1,290,079
Financial assets available for sale	24	10,105,204	9,327,120
Assets with repurchase agreement		80,370	58,268
Hedging derivatives	25	76,257	104,503
Financial assets held to maturity	26	2,923,300	3,110,330
Investments in associated companies	27	596,206	578,890
Non-current assets held for sale	28	1,502,448	1,506,431
Investment property	29	190,324	195,599
Property and equipment	30	730,877	732,563
Goodwill and intangible assets	31	249,447	250,915
Current income tax assets		38,914	41,051
Deferred income tax assets	32	2,192,024	2,181,405
Other assets	33	714,570	593,361
Total Assets		82,348,317	82,007,033
Liabilities			
Deposits from credit institutions	34	12,748,094	13,492,536
Deposits from customers	35	49,303,400	48,959,752
Debt securities issued	36	9,887,137	9,411,227
Financial liabilities held for trading	37	873,016	869,530
Hedging derivatives	25	247,153	243,373
Provisions	38	410,139	365,960
Subordinated debt	39	4,368,694	4,361,338
Current income tax liabilities		13,650	24,684
Deferred income tax liabilities	32	7,525	6,301
Other liabilities	40	1,150,990	996,524
Total Liabilities		79,009,798	78,731,225
Equity			
Share capital	41	3,500,000	3,500,000
Treasury stock	44	(34,531)	(22,745)
Preference shares	41	171,175	171,175
Other capital instruments	41	9,853	9,853
Fair value reserves	43	143,726	22,311
Reserves and retained earnings	43	(1,111,942)	(356,937)
Net loss for the period attributable to Shareholders		(40,730)	(740,450)
Total Equity attributable to Shareholders of the Bank		2,637,551	2,583,207
Non-controlling interests	45	700,968	692,601
Total Equity		3,338,519	3,275,808
		82,348,317	82,007,033

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Cash Flows Statement
for the three months period ended 31 March, 2014 and 2013

	31 March 2014	31 March 2013
	(Thousands of Euros)	
Cash flows arising from operating activities		
Interest income received	621,998	665,110
Commissions received	205,936	215,063
Fees received from services rendered	22,444	38,226
Interest expense paid	(360,398)	(375,563)
Commissions paid	(59,403)	(67,292)
Recoveries on loans previously written off	3,911	3,378
Net earned premiums	6,320	6,484
Claims incurred	(2,349)	(3,607)
Payments to suppliers and employees	(356,678)	(420,837)
	81,781	60,962
Decrease / (increase) in operating assets:		
Loans and advances to / (receivables from) credit institutions	(1,049,746)	129,430
Deposits with Central Banks under monetary regulations	537,318	788,792
Loans and advances to customers	413,186	480,615
Short term trading account securities	(37,521)	(387,586)
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	65,868	(151,254)
Deposits from credit institutions with agreed maturity date	(802,843)	(1,178,588)
Deposits from clients repayable on demand	(43,117)	424,010
Deposits from clients with agreed maturity date	214,721	2,183,995
	(620,353)	2,350,376
Income taxes (paid) / received	(25,081)	(16,565)
	(645,434)	2,333,811
Cash flows arising from investing activities		
Dividends received	3,273	38
Interest income from available for sale financial assets and held to maturity financial assets	94,748	103,360
Proceeds from sale of available for sale financial assets	6,903,322	3,988,863
Available for sale financial assets purchased	(26,698,623)	(23,388,748)
Proceeds from available for sale financial assets on maturity	19,173,578	18,539,948
Acquisition of fixed assets	(24,991)	(15,648)
Proceeds from sale of fixed assets	2,032	6,906
Decrease / (increase) in other sundry assets	112,845	(275,797)
	(433,816)	(1,041,078)
Cash flows arising from financing activities		
Issuance of subordinated debt	268	681
Reimbursement of subordinated debt	(30)	(660)
Issuance of debt securities	1,758,552	1,477,791
Reimbursement of debt securities	(1,433,638)	(3,277,140)
Issuance of commercial paper and other securities	69,068	71,996
Reimbursement of commercial paper and other securities	(5,503)	(8,662)
Dividends paid to non-controlling interests	(9,528)	(608)
Increase / (decrease) in other sundry liabilities and non-controlling interests	223,600	303,987
	602,789	(1,432,615)
Exchange differences effect on cash and equivalents	(17,133)	(11,417)
Net changes in cash and equivalents	(493,594)	(151,299)
Cash and equivalents at the beginning of the period	1,733,730	1,562,300
Cash (note 20)	582,680	634,186
Other short term investments (note 21)	657,456	776,815
Cash and equivalents at the end of the period	1,240,136	1,411,001

BANCO COMERCIAL PORTUGUÊS

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

(Amounts expressed in thousands of Euros)

	Total equity	Share capital	Preference shares	Other capital instruments	Share premium	Legal and statutory reserves	Other comprehensive income: Fair value and cash flow hedged reserves	Other comprehensive income: Other	Other reserves and retained earnings	Treasury stock	Non-controlling interests
Balance on 31 December, 2012	4,000,188	3,500,000	171,175	9,853	71,722	630,000	2,668	(1,936,907)	937,875	(14,212)	628,014
Costs related to the share capital increase	1,180	-	-	-	-	-	-	-	1,180	-	-
Deferred tax of actuarial losses	(3,744)	-	-	-	-	-	-	(3,744)	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(151,962)	-	-	-	-	-	-	-	(151,962)	-	-
Net (loss) / income for the period attributable to Non-controlling interests (note 46)	20,135	-	-	-	-	-	-	-	-	-	20,135
Dividends of SIM - Seguradora Internacional de Moçambique, S.A.R.L.	(608)	-	-	-	-	-	-	-	-	-	(608)
Treasury stock	(2,236)	-	-	-	-	-	-	-	-	(2,236)	-
Exchange differences arising on consolidation	(11,417)	-	-	-	-	-	-	(4,319)	-	-	(7,098)
Fair value reserves (note 44)	16,942	-	-	-	-	-	16,002	-	-	-	940
Other reserves arising on consolidation (note 44)	(12)	-	-	-	-	-	-	-	(15)	-	3
Balance on 31 March, 2013	3,868,466	3,500,000	171,175	9,853	71,722	630,000	18,670	(1,944,970)	787,078	(16,448)	641,386
Transfers to reserves:											
Share premium (note 43)	-	-	-	-	(71,722)	-	-	-	71,722	-	-
Legal reserve (note 42)	-	-	-	-	-	(406,730)	-	-	406,730	-	-
Costs related to the share capital increase	391	-	-	-	-	-	-	-	391	-	-
Tax related to costs arising from the share capital increase	(361)	-	-	-	-	-	-	-	(361)	-	-
Actuarial losses for the period	(29,799)	-	-	-	-	-	-	(29,799)	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(588,488)	-	-	-	-	-	-	-	(588,488)	-	-
Net (loss) / income for the period attributable to non-controlling interests (note 45)	73,567	-	-	-	-	-	-	-	-	-	73,567
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.	(8,370)	-	-	-	-	-	-	-	-	-	(8,370)
Treasury stock	(6,297)	-	-	-	-	-	-	-	-	(6,297)	-
Exchange differences arising on consolidation	(37,365)	-	-	-	-	-	-	(22,654)	-	-	(14,711)
Fair value reserves (note 43)	4,433	-	-	-	-	-	3,641	-	-	-	792
Other reserves arising on consolidation (note 43)	(369)	-	-	-	-	-	-	-	(306)	-	(63)
Balance on 31 December, 2013	3,275,808	3,500,000	171,175	9,853	-	223,270	22,311	(1,997,423)	676,766	(22,745)	692,601
Deferred tax of actuarial losses	(4,133)	-	-	-	-	-	-	(4,133)	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(40,730)	-	-	-	-	-	-	-	(40,730)	-	-
Net (loss) / income for the period attributable to non-controlling interests (note 45)	25,403	-	-	-	-	-	-	-	-	-	25,403
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.	(9,528)	-	-	-	-	-	-	-	-	-	(9,528)
Treasury stock	(11,786)	-	-	-	-	-	-	-	-	(11,786)	-
Exchange differences arising on consolidation	(17,133)	-	-	-	-	-	-	(10,444)	-	-	(6,689)
Fair value reserves (note 43)	120,622	-	-	-	-	-	121,415	-	-	-	(793)
Other reserves arising on consolidation (note 43)	(4)	-	-	-	-	-	-	-	22	-	(26)
Balance on 31 March, 2014	3,338,519	3,500,000	171,175	9,853	-	223,270	143,726	(2,012,000)	636,058	(34,531)	700,968

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Statement of Comprehensive income
for the three months period ended 31 March, 2014 and 2013

	31 March 2014				
	(Thousands of Euros)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
Items that may be reclassified to the income statement					
Fair value reserves	144,594	40	144,634	145,744	(1,110)
Taxes	(24,006)	(6)	(24,012)	(24,329)	317
	120,588	34	120,622	121,415	(793)
Exchange differences arising on consolidation	(17,319)	186	(17,133)	(10,444)	(6,689)
	103,269	220	103,489	110,971	(7,482)
Items that will not be reclassified to the income statement					
Actuarial losses for the period					
Taxes	(4,132)	(1)	(4,133)	(4,133)	-
	(4,132)	(1)	(4,133)	(4,133)	-
Other comprehensive (loss) / income after taxes	99,137	219	99,356	106,838	(7,482)
Consolidated net (loss) / income for the period	(14,981)	(346)	(15,327)	(40,730)	25,403
Total comprehensive (loss) / income for the period	84,156	(127)	84,029	66,108	17,921

	31 March 2013				
	(Thousands of Euros)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
Items that may be reclassified to the income statement					
Fair value reserves	19,672	(2,985)	16,687	15,549	1,138
Taxes	(546)	801	255	453	(198)
	19,126	(2,184)	16,942	16,002	940
Exchange differences arising on consolidation	(11,886)	469	(11,417)	(4,319)	(7,098)
	7,240	(1,715)	5,525	11,683	(6,158)
Items that will not be reclassified to the income statement					
Actuarial losses for the period					
Taxes	(3,742)	(2)	(3,744)	(3,744)	-
	(3,742)	(2)	(3,744)	(3,744)	-
Other comprehensive (loss) / income after taxes	3,498	(1,717)	1,781	7,939	(6,158)
Consolidated net (loss) / income for the period	(88,053)	(43,774)	(131,827)	(151,962)	20,135
Total comprehensive (loss) / income for the period	(84,555)	(45,491)	(130,046)	(144,023)	13,977

1. Accounting policies

a) Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a public bank, established in Portugal in 1985. It started operating on 5 May, 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the three months ended 31 March, 2014 and 2013.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002 and Regulation no. 1/2005 from the Bank of Portugal, the Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU') since the year 2005. IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and their predecessor bodies. The consolidated financial statements presented were approved on 14 April 2014 by the Bank's Executive Committee. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

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

The consolidated financial statements for the three months ended 31 march, 2014 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date and the disclosures in accordance with the requirements set by IAS 34. The financial statements for the three months period ended 31 march, 2014 do not include all the information to be published in the annual financial statements. During the first semester of 2013, the Group sold 100% of the investment in Millennium Bank, Societé Anonyme (Greece), and therefore the referred investment ceased to be consolidated in the financial statements of the Group. This fact should be considered for comparative analyses.

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

- *IFRS 10 - Consolidated Financial Statements*

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

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

IFRS 11 – Joint Arrangements

IFRS 11 withdraw IAS 31 and SIC 13, defines "joint control" by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a "join arrangement" to determine the nature of the joint arrangement ("joint operations" or "joint ventures") by assessing its rights and obligations. IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of "joint venture" must be account for using the equity method (IAS 28).

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

IFRS 12 – Disclosures of Interest in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special vehicles and other off balance sheet vehicles.

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

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

b) Basis of consolidation

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

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

Investments in subsidiaries

Subsidiaries

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

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

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

Investments in associates

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

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

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

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

Goodwill - Differences arising from consolidation

Goodwill arising from business combinations occurred before 1 January 2004 was charged against reserves.

Business combinations that occurred after 1 January 2004 are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December, 2009.

As from 1 January, 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation.

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

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

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

Until 31 December 2009, the contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement, or in equity, when applicable.

Purchases and dilution of non-controlling interests

Until 31 December, 2009, when an investment in a subsidiary was disposed of, without a loss in control, the difference between the sale price and the book value of the equity allocated to the proportion of capital to be sold by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurred when the percentage of investment in a subsidiary decreased without any sale of interest in that subsidiary, for example, when the Group did not participate proportionally in a share capital increase of that subsidiary. Until 31 December, 2009, the Group recognised the gains or losses resulting from a dilution of a subsidiary following a sale or capital increase in the income statement.

Also in an acquisition of non-controlling interests, until 31 December 2009, the difference between the acquisition value and the fair value of the non-controlling interests acquired was accounted against goodwill. The acquisitions of non-controlling interests through written put options related to investments in subsidiaries held by non-controlling interests were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. Any difference between the non-controlling interests acquired and the fair value of the liability was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against goodwill and the effect of the financial discount of the liability (unwinding) was recognised in the income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Since 1 January 2010, the acquisition of the non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognised additional goodwill resulting from this transaction. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

Lost of control

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

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

Investments in foreign subsidiaries and associates

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

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

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

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

Transactions eliminated on consolidation

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

c) *Loans and advances to customers*

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

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

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, being presented in the balance sheet net of impairment losses.

Impairment

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

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

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

(i) Individually assessed loans

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

- group's aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals;
- a significant downgrading in the costumer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors claims;
- the amount and timing of expected receipts and recoveries.

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

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

(ii) Collective assessment

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

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

The collective impairment loss is determined considering the following factors:

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

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

Loans, for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Group's recognition of losses whose identification in terms individual only occurs in future periods.

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

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

The interest from debt instruments is recognised as net interest income.

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

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

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

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

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

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

2) Financial assets available for sale

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

3) Financial assets held-to-maturity

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

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

4) Loans and receivables - Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

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

(ii) Impairment

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

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

(iii) Embedded derivatives

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

e) Derivatives hedge accounting

(i) Hedge accounting

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

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

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

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

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

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

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

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

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

(iv) Hedge effectiveness

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

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

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

f) Reclassifications between financial instruments categories

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

- if a financial asset, at the date of reclassification present the characteristics of a debt instrument for which there is no active market; or
- when there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance.

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

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

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

g) Derecognition

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

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

h) Equity instruments

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

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

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the issuer and dividends are paid at the discretion of the Group.

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

i) Compound financial instruments

Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments to be considered as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) cannot change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

j) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

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

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

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

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

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

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

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

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

l) Finance lease transactions

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

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

m) Interest income and expense

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

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

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

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

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

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

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

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

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

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

o) Financial net gains / losses (Net gains / losses arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity)

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

p) Fiduciary activities

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

q) Property and equipment

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

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

	Number of years
Premises	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other fixed assets	3

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

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

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

r) Investment property

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

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

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

s) Intangible Assets

Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the year in which they occur.

Software

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

t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and loans and advances to credit institutions.

Cash and cash equivalents exclude restricted balances with Central Banks.

u) Offsetting

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

v) Foreign currency transactions

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

w) *Employee benefits*

Defined benefit plans

The Group has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the collective labour arrangements. These benefits are estimated in the pension's plans ‘Plano ACT’ and ‘Plano ACTQ’ of the Pension Plan of BCP Group, which corresponds to the referred collective labour arrangements (the conditions are estimated in the private social security of the banking sector for the constitution of the right to receive a pension).

Until 2011, along with the benefits provided in two planes above, the Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan). The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP (Portuguese Insurance Institute) formally approved this change benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Group also proceed to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

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

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related with pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the ‘Instrumento de Regulação Colectiva de Trabalho (IRCT)’ of the retirees and pensioners. The responsibilities related with the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions and being financed through the corresponding Pensions funds. The Decree-Law also established the terms and conditions under which the transfer was made by setting a discount rate of 4% to determine the liabilities to be transferred.

The Group’s net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year.

The Group’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group’s obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

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

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

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

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each Group company according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

Defined contribution plan

For Defined Contribution Plan, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 31 March 2014, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July, 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) exist distributable profits or reserves in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after July 1, 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees.

Share based compensation plan

As at 31 March 2014 there are no share based compensation plans in force.

Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees.

This variable remuneration is charged to income statement in the year to which it relates.

x) *Income taxes*

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

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

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

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

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

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

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

y) *Segmental reporting*

The Group adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available. The Group controls its activity through the following major operating segments:

Portugal
- Retail Banking (including ActivoBank);
- Companies (including Companies in Portugal and Corporate and Investment Banking);
- Asset management and Private Banking;
- Non-core business portfolio

Foreign activity
- Poland;
- Angola:
- Mozambique.

Following the sale of the entire share capital of Millennium bank in Greece, concluded on 19 June 2013, in accordance with the general conditions announced, and according to IFRS 5, Millennium bank in Greece was classified as a discontinued operation, during 2013, with the impact on results presented on a separate line item in the profit and loss account, defined as "income arising from discontinued operations". As part of this, and in accordance with the referred accounting standard, the profit and loss account was restated as at 31 March 2013, for comparative purposes. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Greece were not included as at 31 March 2014, but remained considered as at 31 March 2013. This fact has to be considered for comparative purposes.

Additionally, as regards the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) on the Bank's Restructuring Plan, in particular the sale of Millennium bcp's operation in Romania in the mid-term and the implementation of a new approach to the assets management business, the activities of Millennium bank in Romania and of Millennium bcp Gestão de Activos were also presented on the line item of "income arising from discontinued operations", with the restatement of profit and loss account as at 31 March 2013, for comparative purposes. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Romania and of Millennium bcp Gestão de Activos remained considered as at 31 March 2013.

Others

The aggregate Others includes the activity not allocated to the segments mentioned above, namely the developed by subsidiaries in Switzerland and Cayman Islands.

z) Provisions

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

The measurement of provisions takes into account the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

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

aa) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share.

If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

ab) Insurance contracts

Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is classified as an investment contract and accounted for as a financial instrument.

Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions / liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration of risk coverage.

Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired in a pro-rata basis during the term of the contract. The provision for unearned premiums represents the amount of premiums on risks not occurred.

Premiums

Gross premiums written are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle.

Reinsurance premiums ceded are accounted for as expense in the year to which they respect in the same way as gross premiums written.

Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the pro-rata temporis method applied to each contract in force.

Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

ac) Insurance or reinsurance intermediation services

The Banco Comercial Português and Banco ActivoBank are entities authorized by the Insurance Institute of Portugal to practice the activity of insurance intermediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law n. º 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance intermediation services, the banks perform the sale of insurance contracts. As compensation for services rendered for insurance intermediation, the Banks receive commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements / protocols established between the Banks and the Insurance Companies.

Commissions received by insurance intermediation are recognised in accordance with the principle of accrual, so the commissions which payment occurs at different time period to which it relates, are subject to registration as an amount receivable under Other Assets.

ad) Accounting estimates and judgements in applying accounting policies

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

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

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

Impairment of financial assets available for-sale

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

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

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

Impairment losses on loans and advances to customers

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

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

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

Fair value of derivatives

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

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

Held-to-maturity investments

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

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

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

Entities included in the consolidation perimeter

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

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

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

Income taxes

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

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

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

Pension and other employees' benefits

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

Changes in these assumptions could materially affect these values.

Goodwill impairment

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

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

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

2. Net interest income and net gains arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity

IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity, as presented in notes 3, 6, 7 and 8. A particular business activity can generate impact in net interest income and net gains arising from trading and hedging, from financial assets available for sale and from financial assets held to maturity. This disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading and hedging, from financial assets available for sale and from financial assets held to maturity.

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Net interest income	236,393	179,222
Net gains / (losses) from trading and hedging assets	18,441	31,923
Net gains / (losses) from financial assets available for sale	93,468	40,977
Net gains / (losses) from financial assets held to maturity	-	(278)
	348,302	251,844

3. Net interest income

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Interest and similar income		
Interest on loans and advances	510,803	546,507
Interest on trading securities	4,367	4,716
Interest on available for sale financial assets	76,851	80,545
Interest on held to maturity financial assets	30,416	31,472
Interest on hedging derivatives	29,893	39,739
Interest on derivatives associated to financial instruments through profit and loss account	7,788	915
Interest on deposits and other investments	11,113	19,014
	671,231	722,908
Interest expense and similar charges		
Interest on deposits and inter-bank funding	241,738	325,530
Interest on securities sold under repurchase agreement	2,629	2,884
Interest on securities issued	100,740	125,839
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	66,164	66,640
Others	16,444	15,822
Interest on hedging derivatives	4,015	6,223
Interest on derivatives associated to financial instruments through profit and loss account	3,108	748
	434,838	543,686
	236,393	179,222

The balance Interest on loans and advances includes the amount of Euros 14,341,000 (31 March 2013: Euros 17,617,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balances Interest on securities issued and Interest on subordinated debt include the amount of Euros 41,782,000 (31 March 2013: Euros 49,888,000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balance Interest and similar income includes, the amount of Euros 64,470,000 (31 March 2013: Euros 73,547,000) related with interest income arising from customers with signs of impairment (individual and parametric analysis).

4. Dividends from equity instruments

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Dividends from financial assets available for sale	3,273	38
	3,273	38

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

5. Net fees and commissions income

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Fees and commissions received		
From guarantees	21,565	22,654
From credit and commitments	349	256
From banking services	129,303	114,241
From insurance activity	454	484
From other services	51,269	67,997
	202,940	205,632
Fees and commissions paid		
From guarantees	11,422	18,824
From banking services	21,311	21,251
From insurance activity	501	355
From other services	5,061	4,947
	38,295	45,377
	164,645	160,255

The balance Fees and commissions received - From banking services includes the amount of Euros 19,458,000 ((31 March 2013: Euros 20,981,000) related to insurance mediation commissions.

The caption Fees and commissions expenses - From guarantees includes the amount of Euros 10,264,000 (31 March 2013: Euros 17,254,000) related to commissions paid relating the issues guaranteed given by the Portuguese State.

6. Net gains / (losses) arising from trading and hedging activities

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Gains arising on trading and hedging activities		
Foreign exchange activity	305,112	330,917
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	21,778	8,952
Variable income	171	123
Certificates and structured securities issued	22,166	13,627
Derivatives associated to financial instruments through profit and loss account	13,064	5,911
Other financial instruments derivatives	195,934	521,841
Other financial instruments through profit and loss account	760	684
Repurchase of own issues	12,099	3,520
Hedging accounting		
Hedging derivatives	25,731	36,360
Hedged item	7,422	17,834
Other activity	2,515	20,390
	606,752	960,159
Losses arising on trading and hedging activities		
Foreign exchange activity	282,321	310,072
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	1,635	4,342
Variable income	13	2,467
Certificates and structured securities issued	29,706	16,127
Derivatives associated to financial instruments through profit and loss account	11,276	2,604
Other financial instruments derivatives	204,403	505,637
Other financial instruments through profit and loss account	14,379	6,731
Repurchase of own issues	10,833	500
Hedging accounting		
Hedging derivatives	12,378	49,263
Hedged item	16,401	2,869
Other activity	4,966	27,624
	588,311	928,236
	18,441	31,923

The caption Net gains arising from trading and hedging activities includes as at 31 March 2014, for Deposits from customers - Deposits at fair value through profit and loss, a loss of Euros 3,028,000 (31 March 2013: loss of Euros 1,788,000) related with the fair value changes arising from changes in own credit risk (spread), as referred in note 35.

This caption also includes as at 31 March 2014, for Debt securities at fair value through profit and loss, a gain of Euros 1,286,000 (31 March 2013: loss of Euros 641,000) related with the fair value changes arising from changes in own credit risk (spread), as referred in note 36.

The result of repurchases of own issues is determined in accordance with the accounting policy described in note 1 d).

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

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Gains arising from financial assets available for sale		
Fixed income	91,562	47,690
Variable income	3,557	242
Losses arising from financial assets available for sale		
Fixed income	(54)	(6,498)
Variable income	(1,597)	(457)
	93,468	40,977

The caption Gains arising from financial assets available for sale - Fixed income - includes, as at 31 March 2014, the amount of Euros 86,255,000 (31 March 2013: Euros 41,937,000) related to gains resulting from the sale of Portuguese public debt.

8. Net gains / (losses) arising from financial assets held to maturity

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Losses arising from financial assets held to maturity	-	(278)
	-	(278)

9. Other operating income / (costs)

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Operating income		
Income from services	9,551	8,268
Cheques and others	3,628	3,595
Other operating income	1,179	1,035
	14,358	12,898
Operating costs		
Indirect taxes	1,690	6,776
Donations and contributions	1,072	912
Specific contribution for the banking sector	10,286	8,473
Specific contribution for the resolution fund	2,026	873
Other operating expenses	12,252	7,354
	27,326	24,388
	(12,968)	(11,490)

The caption Specific contribution for the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) the off-balance notional amount of derivatives.

10. Staff costs

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Salaries and remunerations	121,442	125,948
Mandatory social security charges	28,084	26,597
Voluntary social security charges	8,211	9,248
Seniority premium	1,164	1,188
Other staff costs	1,270	3,069
	160,171	166,050

11. Other administrative costs

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Water, electricity and fuel	5,278	5,308
Consumables	1,428	1,369
Rents	29,084	31,439
Communications	6,986	7,735
Travel, hotel and representation costs	2,492	2,356
Advertising	7,199	5,572
Maintenance and related services	6,993	7,409
Credit cards and mortgage	720	1,003
Advisory services	1,213	3,844
Information technology services	4,879	5,103
Outsourcing	18,110	19,530
Other specialised services	7,226	7,351
Training costs	325	232
Insurance	1,192	1,419
Legal expenses	1,629	2,028
Transportation	2,645	2,669
Other supplies and services	10,151	9,052
	107,550	113,419

The caption Rents includes the amount of Euros 24,392,000 (31 March 2013: Euros 26,511,000) related to rents paid regarding buildings used by the Group as lessee.

The Group has various operating lease for properties and vehicles. The payments under these leases are recognised in the statement of income during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

	Mar 2014			Mar 2013		
	Properties Euros '000	Vehicles Euros '000	Total Euros '000	Properties Euros '000	Vehicles Euros '000	Total Euros '000
Until 1 year	70,989	2,583	73,572	79,962	2,853	82,815
1 to 5 years	108,393	2,469	110,862	128,267	2,939	131,206
Over 5 years	22,172	-	22,172	34,860	-	34,860
	201,554	5,052	206,606	243,089	5,792	248,881

12. Depreciation

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Intangible assets:		
Software	3,434	3,600
Other intangible assets	68	219
	3,502	3,819
Property, plant and equipment:		
Land and buildings	6,460	5,939
Equipment		
Furniture	564	646
Office equipment	609	621
Computer equipment	2,095	3,023
Interior installations	557	836
Motor vehicles	911	798
Security equipment	588	487
Other equipment	594	642
Other tangible assets	-	1
	12,378	12,993
	15,880	16,812

13. Loans impairment

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Loans and advances to credit institutions:		
For overdue loans and credit risks		
Impairment for the period	-	55
Write-back for the period	(3)	-
	(3)	55
Loans and advances to customers:		
For overdue loans and credit risks		
Charge for the period	415,229	462,046
Write-back for the period	(219,575)	(271,804)
Recovery of loans and interest charged-off	(3,912)	(3,368)
	191,742	186,874
	191,739	186,929

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

14. Other financial assets impairment

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Impairment for financial assets available for sale		
Charge for the period	3,645	5,828
	3,645	5,828

15. Other provisions

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Provision for guarantees and other commitments		
Charge for the period	23,331	12,952
Write-back for the period	(3,513)	(4,689)
	19,818	8,263
Other provisions for liabilities and charges		
Charge for the period	20,575	1,950
	20,575	1,950
	40,393	10,213

16. Share of profit of associates under the equity method

The main contributions of the investments accounted for under the equity method to the Group's profit are analysed as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Banque BCP, S.A.S.	706	1,006
Banque BCP (Luxembourg), S.A.	(24)	(24)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	11,041	12,165
SIBS, S.G.P.S, S.A.	462	408
Unicre - Instituição Financeira de Crédito, S.A.	1,159	(140)
VSC - Aluguer de Veículos Sem Condutor, Lda.	180	(513)
Other companies	(445)	1,192
	13,079	14,094

17. Gains / (losses) arising from the sale of subsidiaries and other assets

The caption Gains / (losses) arising from the sale of subsidiaries and other assets corresponds to the gains and losses arising from the sale and revaluation of assets of the Group classified as non-current assets held for sale.

18. (Loss) / income arising from discontinued operations

The amount of this account is comprised of:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Net (loss) / income before income tax:		
Millennium Bank (Greece)	-	(57,425)
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	736	624
Banca Millennium S.A.	(1,132)	(2,492)
Others	77	209
	(319)	(59,084)
Taxes:		
Millennium Bank (Greece)	-	15,140
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	(206)	(182)
Banca Millennium S.A.	191	384
Others	(12)	(32)
	(27)	15,310
	(346)	(43,774)

19. Earnings per share

The earnings per share are calculated as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Net (loss) / income from continuing operations	(40,384)	(108,188)
(Loss) / income arising from discontinued operations	(346)	(43,774)
Net (loss) / income	(40,730)	(151,962)
Average number of shares	19,707,167,060	19,707,167,060
Basic earnings per share (Euros):		
from continuing operations	(0.01)	(0.02)
from discontinued operations	0,00	(0.01)
	(0.01)	(0.03)
Diluted earnings per share (Euros)		
from continuing operations	(0.01)	(0.02)
from discontinued operations	0,00	(0.01)
	(0.01)	(0.03)

The Bank's share capital, as at 31 March 2014, amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, and is fully paid.

20. Cash and deposits at Central Banks

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Cash	582,680	679,700
Central Banks		
Bank of Portugal	931,180	1,162,198
Central Banks abroad	935,189	1,097,765
	2,449,049	2,939,663

The balance Central Banks includes deposits with Central Banks of the countries where the group operates in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other liabilities. The cash reserve requirements, according to the European Central Bank System for Euro Zone, establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

21. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Credit institutions in Portugal	5,256	6,027
Credit institutions abroad	468,112	850,029
Amounts due for collection	184,088	197,974
	657,456	1,054,030

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions.

22. Other loans and advances to credit institutions

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Central Banks abroad	118,543	262,267
Inter-bank Money Market	100,003	-
Credit institutions in Portugal	120,616	36,913
Credit institutions abroad	1,730,981	941,650
	2,070,143	1,240,830
Impairment for other loans and advances to credit institutions	(160)	(202)
	2,069,983	1,240,628

Following the signed agreements of derivative financial transactions with institutional counterparties, the Group has the amount of Euros 529,593,000 (31 December 2013: Euros 501,396,000) of Loans and advances to credit institutions granted as collateral on the mentioned transactions.

The changes occurred in impairment for other loans and advances to credit institutions are analysed as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Balance on 1 January	202	2,358
Transfers	(40)	(110)
Impairment for the period	-	55
Write-back for the period	(3)	-
Exchange rate differences	1	(14)
Balance on 31 March	160	2,289

23. Loans and advances to customers

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Public sector	1,173,983	1,213,574
Asset-backed loans	33,260,397	35,507,371
Personal guaranteed loans	10,725,573	9,134,948
Unsecured loans	3,129,390	2,861,931
Foreign loans	2,454,581	2,630,179
Factoring	1,317,144	1,120,635
Finance leases	3,307,539	3,347,879
	55,368,607	55,816,517
Overdue loans - less than 90 days	186,769	125,202
Overdue loans - Over 90 days	4,313,659	4,280,537
	59,869,035	60,222,256
Impairment for credit risk	(3,461,784)	(3,420,059)
	56,407,251	56,802,197

As at 31 March 2014, the balance Loans and advances to customers includes the amount of Euros 13,089,947,000 (31 December 2013: Euros 13,218,648,000) regarding mortgage loans which are allocated as a collateral for seven asset-back securities, issued by the Group.

As referred in note 52, the Group, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As referred in note 56, the Group performed a set of sales of loans and advances to customers for Specialized Loan Funds. The total amount of loans sold amounted to Euros 1,208,665,000 (31 December 2013: Euros: 1,204,667,000).

The analysis of loans and advances to customers, by type of credit, is as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Loans not represented by securities		
Discounted bills	361,165	371,637
Current account credits	2,526,262	2,605,813
Overdrafts	2,030,641	1,833,990
Loans	16,553,009	16,862,327
Mortgage loans	27,081,710	27,367,062
Factoring	1,317,144	1,120,635
Finance leases	3,307,539	3,347,879
	53,177,470	53,509,343
Loans represented by securities		
Commercial paper	1,833,427	1,829,560
Bonds	357,710	477,614
	2,191,137	2,307,174
	55,368,607	55,816,517
Overdue loans - less than 90 days	186,769	125,202
Overdue loans - Over 90 days	4,313,659	4,280,537
	59,869,035	60,222,256
Impairment for credit risk	(3,461,784)	(3,420,059)
	56,407,251	56,802,197

The analysis of loans and advances to customers, by sector of activity, is as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Agriculture	398,159	390,165
Mining	179,503	177,689
Food, beverage and tobacco	522,141	509,340
Textiles	468,789	454,475
Wood and cork	215,517	209,747
Paper, printing and publishing	233,938	231,682
Chemicals	646,184	617,703
Machinery, equipment and basic metallurgical	1,004,581	985,780
Electricity, water and gas	1,204,142	1,191,942
Construction	4,316,229	4,502,979
Retail business	1,273,172	1,259,196
Wholesale business	2,096,165	2,059,034
Restaurants and hotels	1,280,621	1,301,132
Transports and communications	2,446,854	2,362,520
Services	12,239,222	12,427,129
Consumer credit	3,583,320	3,583,050
Mortgage credit	26,408,557	26,603,015
Other domestic activities	7,036	6,841
Other international activities	1,344,905	1,348,837
	59,869,035	60,222,256
Impairment for credit risk	(3,461,784)	(3,420,059)
	56,407,251	56,802,197

Loans and advances to customers includes the effect of traditional securitization transactions owned by Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 b) and synthetic securitization.

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

The balance Loans and advances to customers includes the following amounts related to securitization transactions, presented by type of transaction:

	Traditional	
	Mar 2014 Euros '000	Dec 2013 Euros '000
Mortgage loans	682,414	697,184
Consumer loans	87,023	108,932
Leases	-	509,735
Corporate loans	-	2,122,436
	769,437	3,438,287

Magellan Mortgages No. 3

On 24 June 2005, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. to the SPE “Magellan Mortgages No. 3 PLC”. Considering that, by having acquired the total subordinated tranches, the Group holds the majority of the risks and benefits associated to the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 b). The total assets of the SPE associated with this operation, with reference to 31 March 2014, amounts to Euros 479,082,000 and the nominal value of liabilities amounts to Euros 498,756,000.

Magellan Mortgages No. 2

On 20 October 2003, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. and by Banco de Investimento Imobiliário, S.A. to the SPE “Magellan Mortgages No. 2 PLC”. Considering that, by having acquired the total subordinated tranches, the Group holds the majority of the risks and benefits associated to the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 b). The total assets of the SPE associated with this operation, with reference to 31 March 2014, amounts to Euros 203,332,000 and the nominal value of liabilities amounts to Euros 218,512,000.

Nova Finance No. 4

On 21 December 2007, the Group transferred a pool of consumer loans owned by Banco Comercial Português, S.A. to the SPE "Nova Finance No. 4 Limited". Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 87,023,000, with reference to 31 March 2014, the transaction does not qualify for derecognition from the Group's Financial Statements as established in the accounting policy 1 g). The related liabilities, with a nominal amount of Euros 84,167,000, are majorly held by the Group, and the amount of Euros 9,753,000 is placed on the market.

Caravela SME No. 3

As at 31 March 2014, the synthetic securitization "Caravela SME No.3" amounts to Euros 2,389,449,000.

The Group's credit portfolio, which includes further than loans to customers, the guarantees granted and commitments to third parties, split between impaired and non impairment loans is analysed as follows:

	Mar 2014	**Dec 2013**
	Euros '000	**Euros '000**
Total loans	65,165,650	65,750,346
Loans and advances to customers with impairment		
Individually significant		
Gross amount	8,662,316	8,968,050
Impairment	(2,516,993)	(2,472,274)
	6,145,323	6,495,776
Parametric analysis		
Gross amount	4,399,267	4,403,868
Impairment	(994,767)	(979,007)
	3,404,500	3,424,861
Loans and advances to customers without impairment	52,104,067	52,378,428
Impairment (IBNR)	(181,411)	(180,543)
	61,472,479	62,118,522

The balance Total loans includes the loans and advances to customers and the guarantees granted and commitments to third parties balance (see note 46), in the amount of Euros 5,296,615,000 (31 December 2013: Euros 5,528,090,000).

The balances Impairment and Impairment ('IBNR') were determined in accordance with the accounting policy described in note 1 c), including the provision for guarantees and other commitments to third parties (see note 38), in the amount of Euros 231,387,000 (31 December 2013 Euros 211,765,000).

The fair values of collaterals related to the loan portfolios, is analysed as follows:

	Mar 2014	**Dec 2013**
	Euros '000	**Euros '000**
Loans and advances to customers with impairment		
Individually significant		
Securities and other financial assets	1,342,385	1,330,502
Home mortgages	785,502	806,154
Other real estate	2,037,777	2,031,876
Other guarantees	698,027	639,764
	4,863,691	4,808,296
Parametric analysis		
Securities and other financial assets	49,482	46,968
Home mortgages	2,092,086	2,118,534
Other real estate	445,498	435,324
Other guarantees	151,165	156,625
	2,738,231	2,757,451
Loans and advances to customers without impairment		
Securities and other financial assets	2,195,542	2,127,843
Home mortgages	23,767,933	23,722,188
Other real estate	3,993,722	3,914,636
Other guarantees	3,667,570	3,639,842
	33,624,767	33,404,509
	41,226,689	40,970,256

Considering the Group's risk management policy, the amounts shown do not include the fair value of personal guarantees provided by customers with lower risk notation.

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

Considering the current real estate and financial markets conditions, the Group continued to negotiate, during the first quarter of 2014, additional physical and financial collaterals with its customers.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Gross amount	3,836,155	3,882,683
Interest not yet due	(528,616)	(534,804)
Net book value	3,307,539	3,347,879

The analysis of financial lease contracts, by type of client, is presented as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Individuals		
Home	85,089	86,609
Consumer	36,918	39,442
Others	158,126	163,767
	280,133	289,818
Companies		
Equipment	1,119,999	1,195,108
Mortgage	1,907,407	1,862,953
	3,027,406	3,058,061
	3,307,539	3,347,879

Regarding operational leasing, the Group does not present relevant contracts as leasor.

On the other hand, and in accordance with note 11, the balance Rents includes, as at 31 March 2014, the amount of Euros 24,392,000 (31 December 2013: Euros 104,248,0000), corresponding to rents paid regarding buildings used by the Group as leasee.

The loans to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforce of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of restructured loans, by sector of activity, is as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Agriculture	2,458	2,599
Mining	221	121
Food, beverage and tobacco	2,403	2,560
Textiles	605	590
Wood and cork	1,019	1,159
Paper, printing and publishing	636	912
Chemicals	1,036	994
Machinery, equipment and basic metallurgical	26,352	26,716
Electricity, water and gas	1,166	1,400
Construction	21,908	17,607
Retail business	2,839	3,577
Wholesale business	36,528	39,980
Restaurants and hotels	1,766	1,875
Transports and communications	8,236	8,366
Services	187,942	185,524
Consumer credit	113,311	116,379
Mortgage credit	53,677	53,462
Other domestic activities	17	79
Other international activities	842	876
	462,962	464,776

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

Regarding the restructured loans, the impairment amounts to Euros 278,516,000 (31 December 2013: Euros 278,701,000).

Additionally, the portfolio includes loans that, based on the customer's financial difficulties, are subject to a change in the original terms of the contract, in the amount of Euros 5,027,907,000 (31 December 2013: Euros 4,572,260,000) with an impairment of Euros 453,124,000 (31 December 2013: Euros 410,848,000).

The analysis of overdue loans, by sector of activity, is as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Agriculture	22,364	22,633
Mining	9,628	9,539
Food, beverage and tobacco	28,682	31,196
Textiles	45,726	47,020
Wood and cork	38,607	43,702
Paper, printing and publishing	16,670	25,527
Chemicals	70,030	69,425
Machinery, equipment and basic metallurgical	92,081	76,940
Electricity, water and gas	15,681	12,943
Construction	1,295,268	1,235,057
Retail business	216,555	213,555
Wholesale business	232,747	240,213
Restaurants and hotels	238,535	229,188
Transports and communications	82,684	84,514
Services	1,118,402	1,096,002
Consumer credit	644,753	643,137
Mortgage credit	250,712	246,406
Other domestic activities	6,994	6,792
Other international activities	74,309	71,950
	4,500,428	4,405,739

The analysis of overdue loans, by type of credit, is as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Public sector	2	1
Asset-backed loans	2,315,928	2,195,048
Personal guaranteed loans	773,054	766,502
Unsecured loans	949,289	968,225
Foreign loans	132,062	131,217
Factoring	33,781	34,012
Finance leases	296,312	310,734
	4,500,428	4,405,739

The changes occurred in impairment for credit risk are analysed as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Balance on 1 January	3,420,059	4,242,725
Transfers resulting from changes in the Group's structure	803	36,488
Other transfers	(28)	(1,782)
Impairment for the period	415,229	462,046
Write-back for the period	(219,575)	(271,804)
Loans charged-off	(151,901)	(112,280)
Exchange rate differences	(2,803)	(4,719)
Balance on 31 March	3,461,784	4,350,674

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

The analysis of impairment, by sector of activity, is as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Agriculture	34,537	33,194
Mining	6,004	8,517
Food, beverage and tobacco	20,569	21,787
Textiles	23,092	22,470
Wood and cork	28,808	28,363
Paper, printing and publishing	17,059	38,544
Chemicals	43,326	37,349
Machinery, equipment and basic metallurgical	56,957	54,644
Electricity, water and gas	8,498	6,635
Construction	706,013	722,895
Retail business	125,236	121,375
Wholesale business	159,765	161,330
Restaurants and hotels	134,309	117,792
Transports and communications	104,125	99,748
Services	1,118,222	1,080,805
Consumer credit	445,725	442,295
Mortgage credit	277,852	274,156
Other domestic activities	20,714	20,252
Other international activities	130,973	127,908
	3,461,784	3,420,059

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

	Mar 2014 Euros '000	Dec 2013 Euros '000
Public sector	2,055	2,207
Asset-backed loans	1,709,194	1,717,255
Personal guaranteed loans	505,083	501,050
Unsecured loans	885,415	840,920
Foreign loans	143,684	144,869
Factoring	37,306	32,455
Finance leases	179,047	181,303
	3,461,784	3,420,059

The analysis of loans charged-off, by sector of activity, is as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Agriculture	555	106
Mining	52	181
Food, beverage and tobacco	2,002	1,162
Textiles	1,601	1,329
Wood and cork	2,799	1,544
Paper, printing and publishing	22,852	240
Chemicals	563	98
Machinery, equipment and basic metallurgical	2,096	33,322
Electricity, water and gas	-	2
Construction	48,878	3,830
Retail business	5,537	2,055
Wholesale business	12,208	4,117
Restaurants and hotels	1,089	1,000
Transports and communications	4,028	3,814
Services	20,648	15,736
Consumer credit	25,175	17,688
Mortgage credit	704	738
Other domestic activities	291	104
Other international activities	823	25,214
	151,901	112,280

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

The analysis of loans charged-off, during the first quarter of 2014 and 2013, by type of credit, is as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Asset-backed loans	10,030	40,033
Personal guaranteed loans	10,223	13,630
Unsecured loans	128,839	55,494
Foreign loans	1,049	-
Factoring	820	-
Finance leases	940	3,123
	151,901	112,280

The analysis of recovered loans and interest, during the first quarter of 2014 and 2013, by sector of activity, is as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Agriculture	25	3
Food, beverage and tobacco	1	15
Textiles	135	76
Wood and cork	-	6
Paper, printing and publishing	70	3
Chemicals	3	15
Machinery, equipment and basic metallurgical	924	8
Electricity, water and gas	25	-
Construction	128	820
Retail business	152	41
Wholesale business	370	241
Restaurants and hotels	104	85
Transports and communications	49	29
Services	347	51
Consumer credit	1,357	1,340
Mortgage credit	94	5
Other domestic activities	79	137
Other international activities	49	493
	3,912	3,368

The analysis of recovered loans and interest during the first quarter of 2014 and 2013, by type of credit, is as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Asset-backed loans	32	13
Personal guaranteed loans	117	299
Unsecured loans	3,457	2,990
Foreign loans	284	-
Finance leases	22	66
	3,912	3,368

24. Financial assets held for trading and available for sale

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

	Mar 2014 Euros '000	Dec 2013 Euros '000
Bonds and other fixed income securities		
Issued by public entities	6,486,315	6,236,367
Issued by other entities	2,824,565	2,339,516
	9,310,880	8,575,883
Overdue securities	4,926	4,927
Impairment for overdue securities	(4,925)	(4,925)
	9,310,881	8,575,885
Shares and other variable income securities	1,257,608	1,203,203
	10,568,489	9,779,088
Trading derivatives	901,352	838,111
	11,469,841	10,617,199

The balance Trading derivatives includes the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy 1 d) in the amount of Euros 116,000 (31 December 2013: Euros 944,000).

The portfolio of financial instruments held for trading and available for sale securities, net of impairment, is analysed as follows:

	Mar 2014			Dec 2013		
	Securities			Securities		
	Trading Euros '000	Available for sale Euros '000	Total Euros '000	Trading Euros '000	Available for sale Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	188,180	2,344,853	2,533,033	180,611	1,683,197	1,863,808
Foreign issuers	173,621	1,189,785	1,363,406	177,530	1,521,656	1,699,186
Bonds issued by other entities						
Portuguese issuers	2,188	562,948	565,136	58	395,311	395,369
Foreign issuers	86,736	1,626,967	1,713,703	81,292	1,217,431	1,298,723
Treasury bills and other						
Government bonds	-	2,589,876	2,589,876	-	2,673,373	2,673,373
Commercial paper	-	550,652	550,652	-	650,351	650,351
	450,725	8,865,081	9,315,806	439,491	8,141,319	8,580,810
Impairment for overdue securities	-	(4,925)	(4,925)	-	(4,925)	(4,925)
	450,725	8,860,156	9,310,881	439,491	8,136,394	8,575,885
Variable income:						
Shares in Portuguese companies	9,275	86,922	96,197	9,275	61,257	70,532
Shares in foreign companies	51	23,113	23,164	64	22,241	22,305
Investment fund units	1,300	1,135,013	1,136,313	1,371	1,107,228	1,108,599
Other securities	1,934	-	1,934	1,767	-	1,767
	12,560	1,245,048	1,257,608	12,477	1,190,726	1,203,203
Trading derivatives	901,352	-	901,352	838,111	-	838,111
	1,364,637	10,105,204	11,469,841	1,290,079	9,327,120	10,617,199
Level 1	555,739	5,944,465	6,500,204	542,475	5,712,999	6,255,474
Level 2	745,422	2,882,220	3,627,642	700,184	2,411,089	3,111,273
Level 3	53,069	1,175,788	1,228,857	37,009	1,142,350	1,179,359
Financial assets at cost	10,407	102,731	113,138	10,411	60,682	71,093

The trading and available for sale portfolios, are recorded at fair value in accordance with the accounting policy described in note 1 d).

As referred in the accounting policy presented in note 1 d), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves, as referred in note 43. As at 31 March 2014, the amount of fair value reserves of Euros 225,142,000 (31 December 2013: Euros 79,599,000) is presented net of impairment losses in the amount of Euros 145,125,000 (31 December 2013: Euros 146,610,000).

As referred in the accounting policy note 1 f) the Group performed reclassifications of Financial instruments, during the first semester of 2010.

As mentioned in note 56, the balance Variable income - investment fund units includes the amount of Euros 1,066,251,000 (31 December 2013: Euros 1,040,178,000) related to participation units of funds specialized in recovery loans, acquired under the sale of loans and advances to customers (net of impairment). The amount of Euros 35,441,000 (31 December 2013: Euros 34,610,000) refers to junior tranches (bonds with a more subordinated nature), which are fully provided.

No reclassifications of financial assets were made during the first quarter of 2014 and 2013.

The portfolio of financial instruments held for trading and available for sale securities, net of impairment, as at 31 March 2014, by valuation levels, is analysed as follows:

	Mar 2014				
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Financial instruments at cost Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	2,533,033	-	-	-	2,533,033
Foreign issuers	1,087,129	276,277	-	-	1,363,406
Bonds issued by other entities					
Portuguese issuers	417,113	126,049	-	21,974	565,136
Foreign issuers	379,714	1,333,989	-	-	1,713,703
Treasury bills and other Government bonds	1,970,874	593,601	25,401	-	2,589,876
Commercial paper	-	550,652	-	-	550,652
	6,387,863	2,880,568	25,401	21,974	9,315,806
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	6,387,863	2,880,568	25,401	17,049	9,310,881
Variable income:					
Shares in Portuguese companies	7,253	1,376	16,506	71,062	96,197
Shares in foreign companies	51	316	-	22,797	23,164
Investment fund units	195	-	1,133,888	2,230	1,136,313
Other securities	1,934	-	-	-	1,934
	9,433	1,692	1,150,394	96,089	1,257,608
Trading derivatives	102,908	745,382	53,062	-	901,352
	6,500,204	3,627,642	1,228,857	113,138	11,469,841

The portfolio of financial instruments held for trading and available for sale securities, net of impairment, as at 31 December 2013, by valuation levels, is analysed as follows:

	Dec 2013				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	1,863,808	-	-	-	1,863,808
Foreign issuers	1,418,635	280,551	-	-	1,699,186
Bonds issued by other entities					
Portuguese issuers	277,951	112,393	-	5,025	395,369
Foreign issuers	369,768	928,955	-	-	1,298,723
Treasury bills and other					
Government bonds	2,216,276	431,611	25,486	-	2,673,373
Commercial paper	-	650,351	-	-	650,351
	6,146,438	2,403,861	25,486	5,025	8,580,810
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	6,146,438	2,403,861	25,486	100	8,575,885
Variable income:					
Shares in Portuguese companies	6,023	6,912	10,773	46,824	70,532
Shares in foreign companies	64	316	-	21,925	22,305
Investment fund units	257	-	1,106,098	2,244	1,108,599
Other securities	1,767	-	-	-	1,767
	8,111	7,228	1,116,871	70,993	1,203,203
Trading derivatives	100,925	700,184	37,002	-	838,111
	6,255,474	3,111,273	1,179,359	71,093	10,617,199

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

The assets included in level 3, in the amount of Euros 1,205,244,000 (31 December 2013: Euros 1,106,091,000) corresponds to units of closed-ended investment funds valued in accordance with 'Net assets attributable to unit holders' (NAV) quote determined by the management company and in accordance with the audited accounts for the respective funds. These funds have a diverse set of assets and liabilities valued in their respective accounts at fair value through internal methodologies used by the management company. Is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV, nevertheless it should be noted that a variation of + / - 10 % of the NAV has an impact of Euros 120,524,000 (31 December 2013: Euros 110,609,000) in Equity (Fair value reserves).

No significant reclassifications of financial assets were made during the first quarter of 2014 and during 2013.

The reclassifications performed in prior years until 31 March 2014, are analysed as follows:

	At the reclassification date		Mar 2014		
	Book value	Fair value	Book value	Fair value	Difference
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	16,150	16,150	-
Financial assets held to maturity	2,144,892	2,144,892	783,004	807,811	24,807
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	124,654	126,752	2,098
Financial assets held to maturity	627,492	627,492	506,135	581,996	75,861
			1,429,943	1,532,709	102,766

The amounts accounted in the income statement and in fair value reserves, as at 31 March 2014 related to reclassified financial assets are analysed as follows:

	Income statement	Changes	
	Interests Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:			
Financial assets available for sale	202	-	202
Financial assets held to maturity	8,228	-	8,228
From Financial assets available for sale to:			
Loans represented by securities	1,447	1	1,448
Financial assets held to maturity	3,062	(89)	2,973
	12,939	(88)	12,851

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 March 2014, would be as follows:

	Income statement			
	Fair value changes Euros '000	Retained earnings Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:				
Financial assets available for sale	2,372	-	(2,372)	-
Financial assets held to maturity	59,382	(34,575)	-	24,807
From Financial assets available for sale to:				
Loans represented by securities	-	-	2,098	2,098
Financial assets held to maturity	-	-	75,861	75,861
	61,754	(34,575)	75,587	102,766

As at 31 December 2013, this reclassification is analysed as follows:

	At the reclassification date		Dec 2013		
	Book value Euros '000	Fair value Euros '000	Book value Euros '000	Fair value Euros '000	Difference Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	13,772	13,772	-
Financial assets held to maturity	2,144,892	2,144,892	982,456	947,881	(34,575)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	228,183	217,813	(10,370)
Financial assets held to maturity	627,492	627,492	514,668	565,245	50,577
			1,739,079	1,744,711	5,632

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2013, related to reclassified financial assets are analysed as follows:

	Income statement			Changes	
	Interest Euros '000	Impairment Euros '000	Total Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	824	-	824	-	824
Financial assets held to maturity	35,035	-	35,035	-	35,035
From Financial assets available for sale to:					
Loans represented by securities	6,713	-	6,713	4	6,717
Financial assets held to maturity	12,330	-	12,330	(360)	11,970
	54,902	-	54,902	(356)	54,546

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2013, would be as follows:

	Income statement			
	Fair value changes Euros '000	Retained earnings Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:				
Financial assets available for sale	1,483	-	(1,483)	-
Financial assets held to maturity	47,344	(81,919)	-	(34,575)
From Financial assets available for sale to:				
Loans represented by securities	-	-	(10,370)	(10,370)
Financial assets held to maturity	-	-	50,577	50,577
	48,827	(81,919)	38,724	5,632

The changes occurred in impairment for financial assets available for sale are analysed as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Balance on 1 January	146,610	130,945
Transfers	(9)	182
Impairment for the period	3,645	5,828
Impairment against fair value reserves	72	58
Write-back against fair value reserves	(1,456)	(428)
Loans charged-off	(3,729)	-
Exchange rate differences	(8)	(105)
Balance on 31 March	145,125	136,480

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

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

- Equity instruments: (i) decreases of more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;
- Debt instruments: when there is objective evidence of events with impact on recoverable value of future cash flows of these assets.

The analysis of financial assets held for trading and available for sale, by maturity, as at 31 March 2014, is as follows:

	Mar 2014					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	115	1,967	1,183,144	1,347,807	-	2,533,033
Foreign issuers	30,320	124,395	1,161,823	46,868	-	1,363,406
Bonds issued by other entities						
Portuguese issuers	1,316	7,040	298,199	253,656	4,925	565,136
Foreign issuers	1,165,014	267,808	95,531	185,349	1	1,713,703
Treasury bills and other						
Government bonds	657,754	1,892,478	31,649	7,995	-	2,589,876
Commercial paper	550,652	-	-	-	-	550,652
	2,405,171	2,293,688	2,770,346	1,841,675	4,926	9,315,806
Impairment for overdue securities	-	-	-	-	(4,925)	(4,925)
	2,405,171	2,293,688	2,770,346	1,841,675	1	9,310,881
Variable income:						
Companies' shares						
Portuguese companies					96,197	96,197
Foreign companies					23,164	23,164
Investment fund units					1,136,313	1,136,313
Other securities					1,934	1,934
					1,257,608	1,257,608
	2,405,171	2,293,688	2,770,346	1,841,675	1,257,609	10,568,489

The analysis of financial assets held for trading and available for sale, by maturity, as at 31 December 2013, is as follows:

	Dec 2013					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	11,041	1,512,961	339,806	-	1,863,808
Foreign issuers	3,175	113,463	1,515,987	66,561	-	1,699,186
Bonds issued by other entities						
Portuguese issuers	42,372	52	125,865	222,155	4,925	395,369
Foreign issuers	724,200	305,087	92,038	177,396	2	1,298,723
Treasury bills and other						
Government bonds	772,696	1,878,196	14,500	7,981	-	2,673,373
Commercial paper	650,351	-	-	-	-	650,351
	2,192,794	2,307,839	3,261,351	813,899	4,927	8,580,810
Impairment for overdue securities	-	-	-	-	(4,925)	(4,925)
	2,192,794	2,307,839	3,261,351	813,899	2	8,575,885
Variable income:						
Companies' shares						
Portuguese companies					70,532	70,532
Foreign companies					22,305	22,305
Investment fund units					1,108,599	1,108,599
Other securities					1,767	1,767
					1,203,203	1,203,203
	2,192,794	2,307,839	3,261,351	813,899	1,203,205	9,779,088

The analysis of financial assets held for trading and available for sale by sector of activity, as at 31 March 2014 is as follows:

	Mar 2014				
	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	1	1
Textiles	-	5,000	-	-	5,000
Wood and cork	-	501	-	361	862
Paper, printing and publishing	13,244	39	-	998	14,281
Chemicals	-	6	-	-	6
Machinery, equipment and basic metallurgical	-	8	-	-	8
Electricity, water and gas	-	7	-	-	7
Construction	-	1,656	-	2,560	4,216
Wholesale business	-	1,553	-	475	2,028
Restaurants and hotels	-	72	-	-	72
Transport and communications	326,337	35,468	-	529	362,334
Services	2,484,984	75,045	1,136,312	2	3,696,343
Other international activities	-	6	1,935	-	1,941
	2,824,565	119,361	1,138,247	4,926	4,087,099
Government and Public securities	3,896,439	-	2,589,876	-	6,486,315
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	6,721,004	119,361	3,728,123	1	10,568,489

The analysis of financial assets held for trading and available for sale by sector of activity as at 31 December 2013 is as follows:

	Dec 2013				
	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	2	2
Textiles	-	5,000	-	-	5,000
Wood and cork	-	501	-	361	862
Paper, printing and publishing	12,822	36	-	998	13,856
Chemicals	-	5	-	-	5
Machinery, equipment and basic metallurgical	-	7	-	-	7
Electricity, water and gas	-	6	-	-	6
Construction	-	1,656	-	2,560	4,216
Wholesale business	-	1,356	-	475	1,831
Restaurants and hotels	-	94	-	-	94
Transport and communications	169,466	11,216	-	529	181,211
Services	2,156,853	72,953	1,108,599	2	3,338,407
Other domestic activities	375	-	-	-	375
Other international activities	-	7	1,767	-	1,774
	2,339,516	92,837	1,110,366	4,927	3,547,646
Government and Public securities	3,562,994	-	2,673,373	-	6,236,367
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	5,902,510	92,837	3,783,739	2	9,779,088

As detailed in note 52, the Group, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes fixed income securities.

The analysis of trading derivatives, by maturity, as at 31 March 2014, is as follows:

	Mar 2014					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	1,777,703	3,878,957	15,058,985	20,715,645	673,728	703,884
Interest rate options (purchase)	15,348	-	359,052	374,400	2,559	-
Interest rate options (sale)	15,348	-	374,014	389,362	-	4,094
Other interest rate contracts	55,475	11,004	132,640	199,119	16,965	16,935
	1,863,874	3,889,961	15,924,691	21,678,526	693,252	724,913
Stock Exchange transactions:						
Interest rate futures	9,602	5,077	-	14,679	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	420,377	88,180	26,499	535,056	3,857	3,339
Currency Swaps	2,045,238	129,414	9,742	2,184,394	10,738	8,937
Currency options (purchase)	9,317	20,105	1,429	30,851	456	-
Currency options (sale)	9,318	21,076	1,429	31,823	-	485
	2,484,250	258,775	39,099	2,782,124	15,051	12,761
Shares/debt instruments derivatives:						
OTC Market:						
Shares/indexes swaps	244,737	473,322	240,393	958,452	11,721	5,128
Shares/indexes options (purchase)	58	-	-	58	-	-
Shares/indexes options (sale)	11,382	-	2,067	13,449	-	-
	256,177	473,322	242,460	971,959	11,721	5,128
Stock exchange transactions:						
Shares futures	290,672	-	-	290,672	-	-
Shares/indexes options (purchase)	4,856,744	361,756	201,267	5,419,767	102,908	-
Shares/indexes options (sale)	7,109	16,367	6,695	30,171	-	102,893
	5,154,525	378,123	207,962	5,740,610	102,908	102,893
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	22,465	-	-	22,465	-	-
Credit derivatives:						
OTC Market:						
Credit Default Swaps	298,700	269,400	2,724,939	3,293,039	78,304	25,773
Other credit derivatives (sale)	-	-	39,874	39,874	-	-
	298,700	269,400	2,764,813	3,332,913	78,304	25,773
Total financial instruments traded in:						
OTC Market	4,903,001	4,891,458	18,971,063	28,765,522	798,328	768,575
Stock Exchange	5,186,592	383,200	207,962	5,777,754	102,908	102,893
Embedded derivatives					116	1,548
	10,089,593	5,274,658	19,179,025	34,543,276	901,352	873,016

The analysis of trading derivatives, by maturity, as at 31 December 2013, is as follows:

	Dec 2013					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate Derivatives:						
OTC Market:						
Forward rate agreements	120,357	-	-	120,357	-	68
Interest rate swaps	1,560,767	2,966,770	15,557,910	20,085,447	626,532	683,534
Interest rate options (purchase)	116,041	15,348	359,597	490,986	3,162	-
Interest rate options (sale)	116,041	15,348	357,686	489,075	-	4,765
Other interest rate contracts	30,500	61,475	152,063	244,038	21,413	21,387
	1,943,706	3,058,941	16,427,256	21,429,903	651,107	709,754
Stock Exchange transactions:						
Interest rate futures	6,585	-	-	6,585	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	316,447	88,484	18,338	423,269	4,606	4,600
Currency swaps	1,866,714	122,566	24,060	2,013,340	8,718	24,307
Currency options (purchase)	8,474	17,753	-	26,227	501	-
Currency options (sale)	8,474	18,031	-	26,505	-	535
	2,200,109	246,834	42,398	2,489,341	13,825	29,442
Shares/debt instruments derivatives:						
OTC Market:						
Shares/indexes swaps	156,290	593,253	48,425	797,968	12,336	4,820
Shares/indexes options (purchase)	111	-	2,067	2,178	-	-
Shares/indexes options (sale)	9,883	-	-	9,883	-	-
Debt instruments forwards	30,000	-	-	30,000	-	-
	196,284	593,253	50,492	840,029	12,336	4,820
Stock Exchange transactions:						
Shares futures	238,553	-	-	238,553	-	-
Shares/indexes options (purchase)	61,575	155,957	336,857	554,389	100,925	-
Shares/indexes options (sale)	5,024	16,278	9,005	30,307	-	100,881
	305,152	172,235	345,862	823,249	100,925	100,881
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	22,714	-	-	22,714	-	-
Credit derivatives:						
OTC Market:						
Credit Default Swaps	21,950	563,100	2,731,474	3,316,524	58,974	23,849
Other credit derivatives (sale)	-	-	24,665	24,665	-	-
	21,950	563,100	2,756,139	3,341,189	58,974	23,849
Total financial instruments traded in:						
OTC Market	4,362,049	4,462,128	19,276,285	28,100,462	736,242	767,865
Stock Exchange	334,451	172,235	345,862	852,548	100,925	100,881
Embedded derivatives					944	784
	4,696,500	4,634,363	19,622,147	28,953,010	838,111	869,530

25. Hedging derivatives

This balance is analysed as follows:

	Mar 2014		Dec 2013	
	Assets Euros '000	Liabilities Euros '000	Assets Euros '000	Liabilities Euros '000
Hedging instruments				
Swaps	76,257	247,153	104,503	243,373
	76,257	247,153	104,503	243,373

Hedging derivatives are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2. The Group applies derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

The Group adopts, for the hedging relationships which comply with the hedging requirements of IAS 39, the hedge accounting method mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted with fixed rate loans and deposits and money market loans. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness for the year of a positive amount of Euros 4,674,000 (31 December 2013: negative amount of Euros 8,200,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness for the period of a negative amount of Euros 546,000 (31 December 2013: negative amount of Euros 2,286,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Hedged item		
Loans	4,218	5,736
Deposits	(25,238)	(21,444)
Debt issued	(137,007)	(143,870)
Financial assets held to maturity	558	1,045
	(157,469)	(158,533)

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

	Mar 2014					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	486,166	168,743	4,575,108	5,230,017	54,299	54,075
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	442,775	2,151,565	2,325,839	4,920,179	21,522	189,999
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Forward exchange contract	7,359	22,236	3,509	33,104	436	3,079
Total financial instruments						
Traded by:						
OTC Market	936,300	2,342,544	6,904,456	10,183,300	76,257	247,153

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

	Dec 2013					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	132,568	602,069	4,252,090	4,986,727	53,617	67,909
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	730,942	1,706,355	2,799,960	5,237,257	50,324	171,881
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Forward exchange contract	4,900	22,196	13,464	40,560	562	3,583
Total financial instruments						
Traded by:						
OTC Market	868,410	2,330,620	7,065,514	10,264,544	104,503	243,373

26. Financial assets held to maturity

The balance Financial assets held to maturity is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Bonds and other fixed income securities		
Issued by Government and public entities	1,921,171	2,095,199
Issued by other entities	1,002,129	1,015,131
	2,923,300	3,110,330

The balance Bonds and other fixed income securities - Issued by Government and public entities includes, as at 31 March 2014, the amount of Euros 1,859,409,000 (31 December 2013: Euros 1,837,108,000) related to European Union countries, in bailout situation, detailed in note 55.

The balance Financial assets held to maturity also includes, as at 31 March 2014, the amount of Euros 783,004,000 (31 December 2013: Euros 982,456,000) related to non derivatives financial assets (bonds) reclassified from financial assets held for trading caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 24.

The balance Financial assets held to maturity also includes, as at 31 March 2014, the amount of Euros 506,135,000 (31 December 2013: Euros 514,668,000) related to non derivatives financial assets (bonds) reclassified from financial assets available for sale caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 24.

As at 31 March 2014, the Financial assets held to maturity portfolio is analysed as follows:

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by Government and public entities						
OT 3.5 Pct 10/25.03.2015	Portugal	March, 2015	3.500%	72,526	72,495	72,409
OT 4.20% 06/15.10.2016	Portugal	October, 2016	4.200%	135,000	136,606	138,741
OT 4.45 Pct 08/15.06.2018	Portugal	June, 2018	4.450%	1,436,762	1,434,336	1,461,956
OT 4.75 Pct 09/14.06.2019	Portugal	June, 2019	4.750%	10,000	10,140	10,052
OT 4.8 Pct 10/15.06.2020	Portugal	June, 2020	4.800%	150,000	152,145	148,221
OT 4.95 Pct 08/25.10.2023	Portugal	October, 2023	4.950%	50,000	53,687	46,761
Goverment bonds 01.2016	Romania	January, 2016	5.750%	6,728	7,034	7,050
Goverment bonds 04.2016	Romania	April, 2016	5.750%	4,485	4,927	4,937
Btps 4.5 Pct 08/01.08.2018 Eur	Italy	August, 2018	4.500%	50,000	49,801	56,181
					1,921,171	1,946,308

(continuation)

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by other entities						
Banco Esp Santo 09/05.06.2014	Portugal	June, 2014	5.625%	119,250	125,615	126,284
Caixa Geral 3.625 Pct 09/21.07.2014	Portugal	July, 2014	3.625%	35,000	35,929	36,182
Cp Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	74,295	68,028
Edia Sa 07/30.01.2027	Portugal	January, 2027	0.409%	40,000	38,824	24,222
Mbs Tagus Edp Energyon 2 Class A	Portugal	May, 2025	1.839%	84,725	87,384	97,411
Mbs Tagus Edp Energyon Class A1	Portugal	May, 2025	2.186%	341,752	346,387	392,020
Stcp 00/05.06.2022 - 100Mios Call Semest. a Partir 10Cpn-Min.10Mios	Portugal	June, 2022	0.339%	100,000	98,169	68,541
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	49,511	53,456
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	0.843%	101,846	101,880	97,743
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	1.463%	26,300	26,315	15,795
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	2.903%	17,800	17,820	7,345
					1,002,129	987,027
					2,923,300	2,933,335

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 March 2014 is as follows:

	Mar 2014				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	-	72,495	1,570,942	215,972	1,859,409
Foreign issuers	-	-	61,762	-	61,762
Bonds issued by other entities					
Portuguese issuers	125,615	35,929	-	645,059	806,603
Foreign issuers	-	-	49,511	146,015	195,526
	125,615	108,424	1,682,215	1,007,046	2,923,300

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2013 is as follows:

	Dec 2013				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	-	-	1,623,721	213,387	1,837,108
Foreign issuers	207,754	-	50,337	-	258,091
Bonds issued by other entities					
Portuguese issuers	-	160,508	-	652,693	813,201
Foreign issuers	-	-	50,972	150,958	201,930
	207,754	160,508	1,725,030	1,017,038	3,110,330

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by sector of activity, is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Transport and communications	172,464	171,457
Services	829,665	843,674
	1,002,129	1,015,131
Government and Public securities	1,921,171	2,095,199
	2,923,300	3,110,330

As part of the management process of the liquidity risk, the Group holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries were the Group operates, which include fixed income securities, as mentioned in note 52.

27. Investments in associated companies

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Portuguese credit institutions	30,432	29,273
Foreign credit institutions	27,776	27,094
Other Portuguese companies	531,026	515,307
Other foreign companies	6,972	7,216
	596,206	578,890

The balance Investments in associated companies is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Banque BCP, S.A.S.	25,416	24,710
Banque BCP (Luxembourg), S.A.	2,360	2,384
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	512,617	497,301
SIBS, S.G.P.S, S.A.	15,919	15,457
Unicre - Instituição Financeira de Crédito, S.A.	30,432	29,273
Other	9,462	9,765
	596,206	578,890

These investments correspond to unquoted companies. According to the accounting policy described in note 1 b), these investments are consolidated by the equity method. The investment held in the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S. corresponds to 49% of the share capital of the Group. The Group's companies included in the consolidation perimeter are presented in note 58.

The main indicators of the principal associated companies are analysed as follows:

	Total Assets Euros '000	Total Liabilities Euros '000	Total Income Euros '000	Net income / (loss) for the year Euros '000
Mar 2014				
Banque BCP, S.A.S.	2,194,610	2,066,461	29,808	3,903
Banque BCP (Luxembourg), S.A.	636,190	609,302	4,150	80
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	12,120,626	10,649,995	174,843	18,710
SIBS, S.G.P.S, S.A. (*)	150,443	82,200	33,899	2,106
Unicre - Instituição Financeira de Crédito, S.A. (*)	306,230	224,658	50,373	3,621
VSC - Aluguer de Veículos Sem Condutor, Lda.	4,942	3,037	546	360
Dec 2013				
Banque BCP, S.A.S.	2,077,639	1,953,470	128,947	14,197
Banque BCP (Luxembourg), S.A.	621,718	594,714	16,900	(269)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	11,824,293	10,381,088	870,639	82,896
SIBS, S.G.P.S, S.A.	150,443	82,200	135,596	8,423
Unicre - Instituição Financeira de Crédito, S.A.	306,230	224,658	201,492	14,484
VSC - Aluguer de Veículos Sem Condutor, Lda.	6,701	5,156	5,475	484

(*) - estimated values.

28. Non-current assets held for sale

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Subsidiaries acquired exclusively with the purpose of short-term sale	48,830	48,872
Investments, properties and other assets arising from recovered loans	1,818,951	1,830,254
	1,867,781	1,879,126
Impairment	(365,333)	(372,695)
	1,502,448	1,506,431

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

The balance Investments, properties and other assets arising from recovered loans includes assets resulting from (i) foreclosure, with an option to repurchase or leaseback, which are accounted following the establishment of the contract or the promise of contract and the respective irrevocable power of attorney issued by the client on behalf of the Bank, or (ii) resolution of leasing contracts.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time.

On 31 March 2014, the balance Investments, properties and other assets arising from recovered loans includes the amount of Euros 349,000,000 (31 December 2013: Euros 347,000,000) related to properties of Closed Real Estate Investment Funds, whose units were received following foreclusure operations of and in accordance with IFRS, were subject to full consolidation method.

As mentioned in note 29, during 2013, a set of Fund's property assets that were previously classified as investment property has been transferred to Non-current assets held for sale, following the redefinition of the value of these assets recovery strategy, which will be perspective be materialized through its sale.

The strategy of alienation results in an active search of buyers, with the Bank having a website that advertises these properties, contracts with intermediaries for sales promotion and sales initiatives in real estate auctions. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The referred balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euros 21,165,000 (31 December 2013: Euros 22,642,000).

The balance Subsidiaries acquired exclusively with the view of short-term sale corresponds to two real estate companies acquired by the Group within the restructuring of a loan exposure that the Group intends to sell in less than one year. However, taking into account the actual market conditions, it was not possible to conclude the sales in the expected time. Until the date of the sale, the Group continues to consolidate in reserves and income, any changes occurred in the net assets of the subsidiaries.

	Mar 2014 Euros '000	Mar 2013 Euros '000
Balance on 1 January	372,695	319,463
Impairment for the period	14,441	28,365
Write-back for the period	(477)	(1,233)
Loans charged-off	(21,276)	(21,421)
Exchange rate differences	(50)	(148)
Balance on 31 March	365,333	325,026

29. Investment property

The balance Investment property includes the amount of Euros 186,651,000 (31 December 2013: Euros 193,921,000) related to real estate accounted in the "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo de Investimento Imobiliário Fechado Gestimo" and "Imoport - Fundo de Investimento Imobiliário Fechado", which are consolidated under the full consolidation method as referred in the accounting policy presented in note 1 b).

The real estate is evaluated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

During 2013, the change occured in the caption Investment properties, as mentioned in note 28, includes the effect of the transfer of a set funds' property assets to Non-current assets held for sale following the redefinition of the recovery strategy of the value of these assets.

30. Property and equipment

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Land and buildings	1,033,000	1,045,251
Equipment		
Furniture	89,002	89,524
Machines	56,521	56,729
Computer equipment	291,737	294,511
Interior installations	143,728	143,985
Motor vehicles	23,526	22,949
Security equipment	84,576	84,917
Other equipment	33,535	33,526
Work in progress	118,038	107,742
Other tangible assets	441	435
	1,874,104	1,879,569
Accumulated depreciation		
Charge for the period	(12,378)	(52,897)
Accumulated charge for the previous periods	(1,130,849)	(1,094,109)
	(1,143,227)	(1,147,006)
	730,877	732,563

31. Goodwill and intangible assets

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Intangible assets		
Software	107,973	121,628
Other intangible assets	55,847	55,878
	163,820	177,506
Accumulated depreciation		
Charge for the period	(3,502)	(15,226)
Accumulated charge for the previous periods	(125,234)	(125,747)
	(128,736)	(140,973)
	35,084	36,533
Goodwill		
Bank Millennium, S.A. (Poland)	164,040	164,040
Real estate and mortgage credit	40,859	40,859
Unicre - Instituição Financeira de Crédito, S.A.	7,436	7,436
Others	18,590	18,609
	230,925	230,944
Impairment		
Others	(16,562)	(16,562)
	(16,562)	(16,562)
	214,363	214,382
	249,447	250,915

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

In accordance with IAS 36 the recoverable amount of goodwill should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on this criteria, the Group performed in 2013, valuations of their investments for which there is goodwill recognised considering among other factors:

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

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods.

The assumptions made for these valuations might vary with the change in economic conditions and in the market.

32. Income Tax

Deferred income tax assets and liabilities generated by tax losses and by temporary differences are analysed as follows:

	Mar 2014			Dec 2013		
	Assets Euros '000	Liabilities Euros '000	Net Euros '000	Assets Euros '000	Liabilities Euros '000	Net Euros '000
Intangible assets	58	-	58	58	-	58
Other tangible assets	7,785	4,245	3,540	7,448	4,232	3,216
Impairment losses	1,089,538	3,244	1,086,294	1,090,690	2,132	1,088,558
Benefits to employees	771,090	-	771,090	795,543	-	795,543
Financial assets available for sale	7,318	34,111	(26,793)	5,894	36,334	(30,440)
Derivatives	-	1,431	(1,431)	-	1,311	(1,311)
Allocation of profits	72,232	-	72,232	76,937	-	76,937
Tax losses carried forward	289,430	-	289,430	256,241	-	256,241
Others	37,661	47,582	(9,921)	29,897	43,595	(13,698)
Total deferred taxes	2,275,112	90,613	2,184,499	2,262,708	87,604	2,175,104
Offset between deferred tax assets and deferred tax liabilities	(83,088)	(83,088)	-	(81,303)	(81,303)	-
Net deferred taxes	2,192,024	7,525	2,184,499	2,181,405	6,301	2,175,104

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

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

As a result of the Law n. 2/2014 of 16 January, several amendments were made to the Income Tax Code with impact on deferred taxes calculated on 31 December 2013, which are:

- The reduction of the income tax rate from 25% to 23% and the creation of the state tax rate of 7% applied to the portion of the taxable income greater than Euros 35,000,000;
- Changing in the reporting period of tax losses (calculated in periods beginning on or after 1 January, 2014) from 5 to 12 years;
- The non-taxation of gains taxable and non-tax deduction of losses arising on sale of equity shares, since verified a set of requirements, and full tax deduction of losses arising on investments due to the settlement of companies.

The deferred tax charge is analysed as follows.

Description	mar 2014	Dec 2013
Income tax (a)	23.0%	23.0%
Municipal surtax rate	1.5%	1.5%
State tax rate	7.0%	7.0%
Total (b)	31.5%	31.5%

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

The caption Benefits to employees includes the amount of Euros 483,228,000 (31 December 2013: Euros 490,899,000) related to the recognition of deferred taxes associated with actuarial gains and losses recognised against reserves, as a result of a change in the accounting policy. The recognition in 2013 of deferred taxes related to actuarial losses in 2011 arises from the increase in reporting period of tax losses. The referred caption also includes the amount of Euros 44,694,000 (31 December 2013: Euros 46,135,000) related to deferred taxes associated to the charge arising from the transfer of the liabilities with retired employees / pensioners to the General Social Security Scheme, which was recognised in the income statement.

The negative impact in equity associated with the change in the above mentioned accounting policy is deductible for tax purposes, in equal parts, for a 10 years period starting on 1 January, 2012. The expense arising from the transfer of liabilities with pensioners to the General Social Security Scheme is deductible for tax purposes, in equal parts starting on 1 January, 2012, for a period corresponding to the average number of years of life expectancy of retirees / pensioners whose responsibilities were transferred (18 years for the Group).

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

Expire date	Mar 2014 Euros '000	Dec 2013 Euros '000
2014	1,367	1,367
2015	6,000	9,425
2016	1	1
2017	107,314	107,827
2018	125,835	133,281
2019 and following years	48,913	4,340
	289,430	256,241

The Group recognised deferred taxes based on valuation of their recoverability, considering the expectation of future taxable income. The amount of unrecognised deferred taxes are as follows.

	Mar 2014 Euros '000	Dec 2013 Euros '000
Impairment losses	103,557	108,760
Tax losses carried forward	497,734	386,321
	601,291	495,081

The impact of income taxes in Net (loss) / income and in other captions of Group's equity, as at 31 March 2014, is analysed as follows:

	Mar 2014			
	Net (loss) / income Euros '000	Reserves and retained earnings Euros '000	Exchange differences Euros '000	Discontinued operations Euros '000
Deferred taxes				
Other tangible assets	330	(50)	42	2
Impairment losses	(1,178)	1,563	(2,641)	(8)
Benefits to employees	(7,585)	(16,089)	(759)	(20)
Financial assets available for sale	-	1,561	2,115	(29)
Allocation of profits	(4,705)	-	-	-
Derivatives	(124)	1,447	(1,443)	-
Tax losses carried forward	47,189	(17,094)	2,860	234
Others	4,181	(907)	492	11
	38,108	(29,569)	666	190
Current taxes				
Actual period	(32,662)	-	-	-
Correction of previous periods	3	-	-	-
	(32,659)	-	-	-
	5,449	(29,569)	666	190

The impact of income taxes in Net (loss) / income and in other captions of Group's equity, as at 31 December 2013, is analysed as follows:

	Dec 2013			
	Net (loss) / income	**Reserves and retained earnings**	**Exchange differences**	**Discontinued operations**
	Euros '000	**Euros '000**	**Euros '000**	**Euros '000**
Deferred taxes				
Intangible assets	1	-	-	(1)
Other tangible assets	1,470	-	(43)	6
Impairment losses	347,932	-	(1,858)	(27,941)
Benefits to employees	26,568	204,552	(228)	(1,265)
Financial assets available for sale	-	(2,666)	158	195
Allocation of profits	8,303	-	-	-
Derivatives	1,399	-	74	-
Tax losses carried forward	(118,333)	(21,337)	711	(53,481)
Others	59,094	(506)	600	(843)
	326,434	180,043	(586)	(83,330)
Current taxes				
Actual period	(78,288)	-	-	-
Correction of previous periods	(37,347)	-	-	-
	(115,635)	-	-	-
	210,799	180,043	(586)	(83,330)

The reconciliation of the effective tax rate, arising from the permanent effects, is analysed as follows:

	Mar 2014		Mar 2013	
	%	**Euros '000**	**%**	**Euros '000**
Net loss before income taxes		(20,430)		(115,879)
Current tax rate	31.5%	6,435	29.0%	33,605
Foreign tax rate effect and difference in municipal surtax rate	46.5%	9,499	5.2%	6,075
Accruals for the purpose of calculating the taxable income (i)	-2.4%	(482)	-11.8%	(13,729)
Deductions for the purpose of calculating the taxable income (ii)	57.1%	11,658	10.7%	12,444
Fiscal incentives not recognised in profit / loss accounts	2.7%	549	1.6%	1,868
Effect of tax losses not recognised previously	-0.4%	(72)	-0.1%	(145)
Effect of change in rate of deferred tax (iii)	-104.1%	(21,268)	-10.2%	(11,772)
Previous periods corrections	-0.8%	(159)	-0.1%	(68)
(Autonomous tax) / tax credits	-3.5%	(711)	-0.4%	(452)
	26.6%	5,449	23.9%	27,826

References:

(i) Refers, essentially, to the tax associated with the additions of impairment losses not deductible for tax purposes, unpaid dividends, annulled for consolidation purposes;
(ii) This is mainly associated with the tax deductions of net income of non-resident companies and net income of associated companies consolidated under the equity method, of capital gains on sale of investments and reduction of taxable impairment;
(iii) Refers to the effect of increasing the maximum state tax rate net of the effect of reducing the income tax rate in deferred taxes and to the difference of deferred

33. Other assets

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Debtors	158,472	192,744
Supplementary capital contributions	132,545	132,348
Amounts due for collection	14,603	22,284
Recoverable tax	18,997	20,372
Recoverable government subsidies on interest on mortgage loans	11,842	10,546
Associated companies	2,529	1,679
Interest and other amounts receivable	50,027	38,095
Prepayments and deferred costs	26,699	22,188
Amounts receivable on trading activity	78,060	6,486
Amounts due from customers	189,004	147,524
Reinsurance technical provision	4,564	2,690
Sundry assets	196,193	163,072
	883,535	760,028
Impairment for other assets	(168,965)	(166,667)
	714,570	593,361

As referred in note 56, the balance Supplementary capital contributions includes the amount of Euros 125,624,000 (31 December 2013: Euros 125,477,000) and the balance Sundry assets includes the amount of Euros 10,805,000 (31 December 2013: Euros 10,805,000), related to the junior securities arising from the sale of loans and advances to costumers to specialized recovery funds which are fully provided.

The changes occurred in impairment for other assets are analysed as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Balance on 1 January	166,667	160,046
Transfers resulting from changes in the Group's structure	-	(18)
Other transfers	531	(72)
Impairment for the period	1,404	8,047
Write back for the period	(45)	(449)
Exchange rate differences	408	24
Balance on 31 March	168,965	167,578

34. Deposits from credit institutions

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Central Banks	10,169,772	11,191,067
Credit institutions in Portugal	139,664	107,098
Credit institutions abroad	2,438,658	2,194,371
	12,748,094	13,492,536

Following the signed agreements of derivative financial transactions with institutional counterparties and according to the signed agreements, the Group has, as at 31 March 2014, the amount of Euros 71,750,000 (31 December 2013: 89,261,000) regarding deposits from other credit institutions received as collateral of the mentioned transactions.

35. Deposits from customers

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Deposits from customers:		
Repayable on demand	15,272,703	15,315,697
Term deposits	31,419,203	31,165,233
Saving accounts	1,312,278	1,462,644
Structured deposits	870,919	675,007
Treasury bills and other assets sold under repurchase agreement	74,070	16,484
Others	354,227	324,687
	49,303,400	48,959,752

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

The caption Deposits from customers - Deposits at fair value through profit and loss is measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 2. These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 31 March 2014, a loss in the amount of Euros 3,028,000 was recognised (31 December 2013: gain of Euros 1,451,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The nominal amount of the caption Deposits from customers - Deposits at fair value through profit and loss amounts to Euros 865,836,000 (31 December 2013: Euros 672,377,000).

36. Debt securities issued

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Debt securities at amortized cost		
Bonds	2,623,708	2,608,342
Covered bonds	2,246,928	2,184,569
MTNs	3,680,369	3,384,542
Securitizations	519,647	540,442
	9,070,652	8,717,895
Accruals	152,223	97,706
	9,222,875	8,815,601
Debt securities at fair value through profit and loss		
Bonds	112,160	109,414
MTNs	171,562	170,708
	283,722	280,122
Accruals	4,950	3,479
	288,672	283,601
Certificates	375,590	312,025
	9,887,137	9,411,227

The securities in caption Debt securities at fair value through profit and loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 2. These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 31 March 2014, a gain in the amount of Euros 1,286,000 was recognised (31 December 2013: loss of Euros 6,446,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

37. Financial liabilities held for trading

The balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
FRA	-	68
Swaps	760,657	757,897
Options	107,472	106,181
Embedded derivatives	1,548	784
Forwards	3,339	4,600
	873,016	869,530
Level 1	102,893	-
Level 2	756,056	861,842
Level 3	14,067	7,688

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

The balance Financial liabilities held for trading includes, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 d), in the amount of Euros 1,548,000 (31 December 2013: Euros 784,000). This note should be analysed together with note 24.

38. Provisions

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Provision for guarantees and other commitments	231,387	211,765
Technical provision for the insurance activity:		
For direct insurance and reinsurance accepted:		
Unearned premium / reserve	15,361	12,037
Life insurance	49,114	50,587
Bonuses and rebates	1,739	1,594
Other technical provisions	10,187	9,960
Other provisions for liabilities and charges	102,351	80,017
	410,139	365,960

Changes in Provision for guarantees and other commitments are analysed as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Balance on 1 January	211,765	107,470
Transfers resulting from changes in the Group's structure	(53)	6
Other transfers	-	2,413
Charge for the period	23,331	12,952
Write-back for the period	(3,513)	(4,689)
Exchange rate differences	(143)	(124)
Balance on 31 March	231,387	118,028

Changes in Other provisions for liabilities and charges are analysed as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Balance on 1 January	80,017	66,956
Transfers resulting from changes in the Group's structure	(884)	2,752
Other transfers	3,229	254
Charge for the period	20,575	1,950
Amounts charged-off	-	(1,473)
Exchange rate differences	(586)	(68)
Balance on 31 March	102,351	70,371

The provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the Group's inherent risks, which are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

39. Subordinated debt

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Bonds		
Non Perpetual Bonds	1,227,180	1,221,541
Perpetual Bonds	28,176	28,202
CoCos	3,034,631	3,024,642
	4,289,987	4,274,385
Accruals	78,707	86,953
	4,368,694	4,361,338

The caption Subordinated debt - CoCos corresponds to hybrids subordinated debt instruments that qualify as Core Tier I Capital, issued on 29 June 2012, by Banco Comercial Português, S.A. and fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment, are susceptible of being converted in Bank's ordinary shares.

The referred instruments were issued under the scope of the recapitalisation program of the bank, using the Euros 12,000,000,000 line made available by the Portuguese State, under the scope of the IMF intervention program, in accordance with the Law no. 150-A/2012. These instruments are eligible for prudential effects as Core Tier I. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability, according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank.

The operation has an increasing interest rate beginning in 8.5% and ending at the maturity at 10% in 2017.

As at 31 March 2014, the characteristics of subordinated debt issued are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Non Perpetual Bonds					
Banco Comercial Português:					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018	See reference (i)	251,440	251,440
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018	See reference (i)	70,802	70,802
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020	See reference (ii)	87,178	89,083
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020	See reference (iii)	53,298	55,291
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.750%	114,000	114,000
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.750%	64,100	64,100
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.750%	35,000	35,000
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	8,051
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	48,518
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	37,169
Bcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	23,312
Mill Bcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	11,680
Mbcp Subord fev2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	20,493
Bcp Subord abr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	45,794
Bcp Subord 2 Serie abr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	22,291
Bcp Subordinadas jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate of 9.000%	26,250	22,496
Bank Millennium:					
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2%	149,978	149,978
Banco de Investimento Imobiliário:					
BII Ob. Cx. Sub. 2004/2014	December, 2004	December, 2014	See reference (iv)	15,000	14,996

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Finance Bank:					
BCP Fin Bank Ltd EMTN - 295	December, 2006	December, 2016	See reference (v)	71,209	71,193
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate of 13.000%	98,850	71,449
Magellan No. 3:					
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44
					1,227,180
Perpetual Bonds					
Obrigações Caixa Perpétuas Subord 2002/19jun2012	June, 2002	-	See reference (vi)	89	54
TOPS BPSM 1997	December, 1997	-	Euribor 6M + 0.900%	22,474	22,907
BCP Leasing 2001	December, 2001	-	Euribor 3M + 1.750%	5,215	5,215
					28,176
CoCos					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (vii)	3,000,000	3,034,631
					3,034,631
Accruals					78,707
					4,368,694

References :

(i) - 1st year 6.000%; 2nd to 5th year Euribor 6M + 1.000%; 6th year and following Euribor 6M + 1.400%;
(ii) - Until the 5th year fixed rate of 3.250%; 6th year and following years Euribor 6M + 1.000%;
(iii) - 1st year: 3.000%; 2nd year 3.250%; 3rd year 3.500%; 4th year 4.000%; 5th year 5.000%; 6th year and following Euribor 6M + 1.250%;
(iv) - Until 10th coupon Euribor 6M + 0.400%; After 10th coupon Euribor 6M + 0.900%;
(v) - Euribor 3M + 0.300% (0.800% after December 2011);
(vi) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.400%;
(vii) - 1st year: 8.500%; 2nd year 8.750%; 3rd year 9.000%; 4th year 9.500%; 5th year 10.000%.

40. Other liabilities

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Creditors:		
Suppliers	39,260	38,389
From factoring operations	5,995	9,052
Associated companies	4	582
Other creditors	296,037	371,231
Public sector	64,121	65,326
Interests and other amounts payable	114,329	101,244
Deferred income	4,995	6,506
Holiday pay and subsidies	54,346	67,800
Other administrative costs payable	1,857	2,341
Amounts payable on trading activity	142,714	6,848
Other liabilities	427,332	327,205
	1,150,990	996,524

41. Share capital, preference shares and other capital instruments

The share capital of the Bank, amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid.

Under the Bank's Capitalisation Plan, the share capital increase was successfully completed in October 2012, following the issue of ordinary shares in the amount of Euros 500,000,000, through subscription reserved for shareholders exercising their legal preference right, of 12,500,000,000 new shares.

In accordance with the Shareholders General Meeting in 31 May of 2012, the bank reduced the share capital from Euros 6,064,999,986 to Euros 3,000,000,000, without changing the number of shares without nominal value at this date. The reduction included two components: a) Euros 1,547,873,439.69 to cover losses on the individual accounts of the Bank occurred in the year 2011; b) Euros 1,517,126,546.31, to reinforce the future conditions in order to have funds that can be distributed.

The preference shares includes two issues by BCP Finance Company Ltd which considering the rules established in IAS 32 and in accordance with the accounting policy presented in note 1 h), were considered as equity instruments. The issues are analysed as follows:

- 5,000,000 Perpetual Non-cumulative Guaranteed Non-voting Preference Shares with par value of Euros 100 each, issued on 9 June, 2004, amounting to Euros 500,000,000, issued to redeem the 8,000,000 Non-cumulative Guaranteed Non-voting Preference Shares, with par value of Euros 50 each, issued by BCP Finance Company on 14 June, 1999, amounting to Euros 400,000,000.

- 10,000 preference shares with par value of Euros 50,000 perpetual each without voting rights issued on 13 October 2005, in the amount of Euros 500,000,000, to redeem the 6,000,000 preference shares, of Euros 100 each, without voting rights, in the amount of Euros 600,000,000, issued by BCP Finance Company on 28 September 2000.

Within the scope of the exchange offer, the majority of the preference shares were exchanged for new debt instruments in October 2011. The amount not exchanged amounts to Euros 171,175,000.

The other capital instruments includes three issues of perpetual subordinated debt securities analysed as follows:

- In June 2009, the Bank issued Euros 300,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

- In August 2009, the Bank issued Euros 600,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

- In December 2009, the Bank issued Euros 100,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

These issues were exchanged within the scope of the public change offering of perpetual subordinated securities for ordinary shares, performed in 2011. The amount not exchanged amounted to Euros 9,853,000.

42. Legal reserve

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. In accordance with the proposal approved in the General Shareholders Meeting held on 20 May 2013, the Bank reversed its legal reserve in the amount of Euros 406,730,000 to cover part of the negative balance of Retained Earnings.

In accordance with current legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity.

43. Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Actuarial losses (net of taxes)	(1,881,424)	(1,877,291)
Exchange differences arising on consolidation	(130,576)	(120,132)
Fair value reserves		
Financial assets available for sale		
Potential gains and losses recognised		
in fair value reserves	222,994	113,461
Loans represented by securities (*)	(24)	(25)
Financial assets held to maturity (*)	5,414	5,503
Of associated companies and others	(3,242)	(39,340)
Cash-flow hedge	(24,940)	(25,141)
	200,202	54,458
Tax		
Financial assets available for sale		
Potential gains and losses recognised		
in fair value reserves	(59,518)	(35,186)
Loans represented by securities	8	8
Financial assets held to maturity	(1,705)	(1,733)
Cash-flow hedge	4,739	4,764
	(56,476)	(32,147)
Fair value reserve net of taxes	143,726	22,311
	(1,868,274)	(1,975,112)
Other reserves and retained earnings:		
Legal reserve	193,270	193,270
Statutory reserve	30,000	30,000
Other reserves and retained earnings	845,409	1,585,859
Other reserves arising on consolidation	(168,621)	(168,643)
	900,058	1,640,486

(*) Refers to the amount not accrued the fair value reserve at the date of reclassification for securities subject to reclassification (as referred in note 24).

The changes occurred in legal reserve are analysed in note 42. The Fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash flow hedge, in accordance with the accounting policy presented in note 1 d).

The balance Statutory reserves corresponds to a reserve to steady dividends that, according to the bank's by-laws can be distributed.

Additionally, in accordance with the proposal approved on 20 May 2013 in the General Meeting of Shareholders, the Group reversed the share premium amounting to Euros 71,722,000 to cover part of the negative balance of Retained Earnings.

The reconciliation between amortised cost and fair value of Financial assets available for sale, is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Amortised cost	10,024,213	9,361,096
Accumulated impairment recognised	(145,125)	(146,610)
Amortised cost net of impairment	9,879,088	9,214,486
Potential gains and losses recognised in fair value reserves	222,994	113,461
Fair value hedge adjustments (*)	3,122	(827)
Market value	10,105,204	9,327,120

(*) - The adjustments securities of the Financial Assets availabe for sale porfolio related to the fair value hedge are accounted on the income statement.

The changes occurred, during the first quarter of 2014, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

	2014				
	Balance on 1 January Euros '000	Revaluation Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 31 March Euros '000
Millenniumbcp Ageas	(44,463)	36,120	-	-	(8,343)
Portuguese public debt securities	89,412	160,965	-	(88,321)	162,056
Other investments	34,650	38,282	3,645	(5,148)	71,429
	79,599	235,367	3,645	(93,469)	225,142

The changes occurred, between 31 March and 31 December 2013, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

	2013				
	Balance on 31 March Euros '000	Revaluation Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 31 December Euros '000
Millenniumbcp Ageas	(59,253)	14,790	-	-	(44,463)
Portuguese public debt securities	104,705	7,231	-	(22,524)	89,412
Other investments	34,045	24,805	96,365	(120,565)	34,650
	79,497	46,826	96,365	(143,089)	79,599

The changes occurred, during the first quarter of 2013, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

	2013				
	Balance on 1 January Euros '000	Revaluation Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 31 March Euros '000
Millenniumbcp Ageas	(74,133)	14,880	-	-	(59,253)
Portuguese public debt securities	129,519	14,482	-	(39,296)	104,705
Other investments	13,491	16,406	5,828	(1,680)	34,045
	68,877	45,768	5,828	(40,976)	79,497

44. Treasury stock

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares		Other treasury stock	Total
Mar 2014				
Net book value (Euros '000)	22,914		11,617	34,531
Number of securities	100,944,752	(*)		
Average book value (Euros)	0.23			
Dec 2013				
Net book value (Euros '000)	12,757		9,988	22,745
Number of securities	76,664,387	(*)		
Average book value (Euros)	0.17			

Treasury stock refers to own securities held by the companies included in the consolidation perimeter. These securities are held within the limits established by the bank's by-laws and by "Código das Sociedades Comerciais".

(*) As at 31 March 2014, this balance includes 100,944,752 shares (31 December 2013: 76,664,387 shares) owned by clients which were financed by the Bank. Considering the fact that for these clients there is evidence of impairment, under the IAS 39 the shares of the Bank owned by these clients were, only for accounting purposes and in accordance with this standard, considered as treasury stock.

45. Non-controlling interests

The balance Non-controlling interests is analysed as follows:

	Balance Sheet		Income Statement	
	Mar 2014 Euros '000	Dec 2013 Euros '000	Mar 2014 Euros '000	Mar 2013 Euros '000
Bank Millennium, S.A.	455,841	445,219	12,850	9,656
BIM - Banco Internacional de Moçambique, SA	120,784	128,099	6,959	6,773
Banco Millennium Angola, S.A.	128,601	123,528	5,606	3,234
Other subsidiaries	(4,258)	(4,245)	(12)	472
	700,968	692,601	25,403	20,135

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Exchange differences arising on consolidation	(25,266)	(18,577)
Fair value reserves	(9,037)	(7,927)
Deferred taxes	965	648
	(33,338)	(25,856)
Profit for the period	25,403	93,702
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.	(9,528)	(15,468)
Other changes	(26)	(60)
Other reserves and retained earnings related to previous periods	718,457	640,283
	734,306	718,457
	700,968	692,601

46. Guarantees and other commitments

This balance is analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Guarantees granted	5,296,615	5,528,090
Guarantees received	30,942,736	29,292,448
Commitments to third parties	7,582,369	8,003,594
Commitments from third parties	12,802,372	14,043,416
Securities and other items held for safekeeping on behalf of customers	120,593,748	109,426,379
Securities and other items held under custody by the Securities Depository Authority	133,920,861	129,517,608
Other off balance sheet accounts	139,170,489	148,832,584

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

	Mar 2014 Euros '000	Dec 2013 Euros '000
Guarantees granted:		
Guarantees	4,125,661	4,309,714
Stand-by letter of credit	72,778	81,876
Open documentary credits	285,868	291,701
Bails and indemnities	812,308	844,799
	5,296,615	5,528,090
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	72,201	50,111
Irrevocable credit lines	2,221,336	2,296,632
Other irrevocable commitments	279,979	308,622
Revocable commitments		
Revocable credit lines	3,714,407	3,996,579
Bank overdraft facilities	1,131,942	1,184,706
Other revocable commitments	162,504	166,944
	7,582,369	8,003,594

The guarantees granted by the Group may be related with loan transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow.

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

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

Considering their nature, as described above, no material losses are anticipated as a result of these transactions.

47. Relevant events occurred during the first quarter 2014

Banco Comercial Português, S.A. informs about the senior unsecured debt issue

Banco Comercial Português, S.A. informs that it placed a senior unsecured debt issue under its Euro Note Program. The issue, in the amount of Euros 500,000,000, has a term of 3 years and a coupon of 3.375% per annum.

48. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in the Group.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgement and reflects exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Group.

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

Cash and deposits at Central Banks, Loans and advances to credit institutions repayable on demand

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

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

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

For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.25% as at 31 March 2014 (31 December 2013: 0.25%).

Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period). As at 31 March 2014, the average discount rate was 1.17% for loans and advances and 1.04% for deposits. As at 31 December 2013 the rates were 2.95% and 1.42%, respectively.

Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives) and Financial assets available for sale

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

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

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

Financial assets held to maturity

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

Hedging and trading derivatives

All derivatives are recorded at fair value.

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

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

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments for each of the homogeneous classes of this type of instrument and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the first quarter of the year. The average discount rate was 5.31% as at 31 March 2014 and 5.50% as at 31 December 2013. The calculations also include the credit risk spread.

Loans and advances to customers and deposits repayable on demand without defined maturity date

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

Deposits from customers

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate used reflects the actual rates of the Group to this type of funds and with similar residual maturity date. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of the Group at the date of the report, which was calculated from the average production of the first quarter of the year. As at 31 March 2014, the average discount rate was 2.53% and as at 31 December 2013 was 2.49%.

Debt securities issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

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

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

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of own securities was 8.04% (31 December, 2013: 8.99%) for subordinated debt placed on the institutional market. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 7.91% (31 December, 2013: 8.25%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 2.08% (31 December 2013: 3.43%) and 3.31% (31 December, 2013: 3.88%) for senior and collateralised securities placed on the retail market.

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined as at 31 March 2014 is a positive amount of Euros 105,572,000 (31 December 2013: a negative amount of Euros 48,271,000), and includes a payable amount of Euros 1,432,000 (31 December 2013: a receivable amount of Euros 160,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 March 2014, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Group:

	Currencies			
	EUR	**USD**	**GBP**	**PLN**
1 day	0.20%	0.13%	0.44%	2.50%
7 days	0.20%	0.14%	0.44%	2.50%
1 month	0.20%	0.14%	0.44%	2.51%
2 months	0.24%	0.19%	0.47%	2.56%
3 months	0.28%	0.24%	0.52%	2.61%
6 months	0.37%	0.35%	0.64%	2.64%
9 months	0.45%	0.46%	0.76%	2.66%
1 year	0.41%	0.27%	0.91%	2.77%
2 years	0.48%	0.55%	1.06%	3.01%
3 years	0.62%	0.99%	1.46%	3.24%
5 years	0.98%	1.80%	2.04%	3.61%
7 years	1.34%	2.35%	2.58%	3.83%
10 years	1.79%	2.83%	2.80%	4.02%
15 years	2.24%	3.25%	3.12%	4.19%
20 years	2.40%	3.42%	3.24%	4.19%
30 years	2.46%	3.52%	3.28%	3.95%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 March 2014:

	Mar 2014				
	Fair value through profit or loss Euros '000	Available for sale Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	2,449,049	2,449,049	2,449,049
Loans and advances to credit institutions					
Repayable on demand	-	-	657,456	657,456	657,456
Other loans and advances	-	-	2,069,983	2,069,983	2,070,255
Loans and advances to customers	-	-	56,407,251	56,407,251	53,657,777
Financial assets held for trading	1,364,637	-	-	1,364,637	1,364,637
Financial assets available for sale	-	10,105,204	-	10,105,204	10,105,204
Assets with repurchase agreement	-	-	80,370	80,370	80,370
Hedging derivatives	76,257	-	-	76,257	76,257
Held to maturity financial assets	-	-	2,923,300	2,923,300	2,933,335
	1,440,894	10,105,204	64,587,409	76,133,507	73,394,340
Deposits from credit institutions	-	-	12,748,094	12,748,094	12,741,104
Amounts owed to customers	870,919	-	48,432,481	49,303,400	49,298,288
Debt securities	664,262	-	9,222,875	9,887,137	9,992,709
Financial liabilities held for trading	873,016	-	-	873,016	873,016
Hedging derivatives	247,153	-	-	247,153	247,153
Subordinated debt	-	-	4,368,694	4,368,694	4,662,827
	2,655,350	-	74,772,144	77,427,494	77,815,097

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2013:

	Dec 2013				
	Fair value through profit or loss Euros '000	Available for sale Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	2,939,663	2,939,663	2,939,663
Loans and advances to credit institutions					
Repayable on demand	-	-	1,054,030	1,054,030	1,054,030
Other loans and advances	-	-	1,240,628	1,240,628	1,240,468
Loans and advances to customers	-	-	56,802,197	56,802,197	54,029,633
Financial assets held for trading	1,290,079	-	-	1,290,079	1,290,079
Financial assets available for sale	-	9,327,120	-	9,327,120	9,327,120
Assets with repurchase agreement	-	-	58,268	58,268	58,268
Hedging derivatives	104,503	-	-	104,503	104,503
Held to maturity financial assets	-	-	3,110,330	3,110,330	3,119,676
	1,394,582	9,327,120	65,205,116	75,926,818	73,163,440
Deposits from credit institutions	-	-	13,492,536	13,492,536	13,482,916
Amounts owed to customers	675,007	-	48,284,745	48,959,752	48,966,808
Debt securities	595,626	-	8,815,601	9,411,227	9,362,956
Financial liabilities held for trading	869,530	-	-	869,530	869,530
Hedging derivatives	243,373	-	-	243,373	243,373
Subordinated debt	-	-	4,361,338	4,361,338	4,659,969
	2,383,536	-	74,954,220	77,337,756	77,585,552

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 March 2014:

	Mar 2014				
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Financial instruments at cost Euros '000	Total Euros '000
Cash and deposits at Central Banks	2,449,049	-	-	-	2,449,049
Loans and advances to credit institutions					
Repayable on demand	657,456	-	-	-	657,456
Other loans and advances	-	-	2,070,255	-	2,070,255
Loans and advances to customers	-	-	53,657,777	-	53,657,777
Financial assets held for trading	555,739	745,422	53,069	10,407	1,364,637
Financial assets available for sale	5,944,465	2,882,220	1,175,788	102,731	10,105,204
Assets with repurchase agreement	-	-	-	80,370	80,370
Hedging derivatives	-	76,257	-	-	76,257
Held to maturity financial assets	1,934,321	999,014	-	-	2,933,335
	11,541,030	4,702,913	56,956,889	193,508	73,394,340
Deposits from credit institutions	-	-	12,741,104	-	12,741,104
Amounts owed to customers	-	-	49,298,288	-	49,298,288
Debt securities	375,590	9,617,119	-	-	9,992,709
Financial liabilities held for trading	102,893	756,056	14,067	-	873,016
Hedging derivatives	-	247,153	-	-	247,153
Subordinated debt	-	4,662,827	-	-	4,662,827
	478,483	15,283,155	62,053,459	-	77,815,097

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2013:

	Dec 2013				
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Financial instruments at cost Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	2,939,663	-	-	-	2,939,663
Loans and advances to credit institutions					
Repayable on demand	1,054,030	-	-	-	1,054,030
Other loans and advances	-	-	1,240,468	-	1,240,468
Loans and advances to customers	-	-	54,029,633	-	54,029,633
Financial assets held for trading	542,475	700,184	37,009	10,411	1,290,079
Financial assets available for sale	5,712,999	2,411,089	1,142,350	60,682	9,327,120
Assets with repurchase agreement	-	-	-	58,268	58,268
Hedging derivatives	-	104,503	-	-	104,503
Held to maturity financial assets	2,122,067	997,609	-	-	3,119,676
	12,371,234	4,213,385	56,449,460	129,361	73,163,440
Deposits from credit institutions	-	-	13,482,916	-	13,482,916
Amounts owed to customers	-	-	48,966,808	-	48,966,808
Debt securities	312,025	9,050,931	-	-	9,362,956
Financial liabilities held for trading	-	861,842	7,688	-	869,530
Hedging derivatives	-	243,373	-	-	243,373
Subordinated debt	-	4,659,969	-	-	4,659,969
	312,025	14,816,115	62,457,412	-	77,585,552

The Group uses the following hierarchy for fair value with 3 levels in the valuation of financial instruments (assets or liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IFRS 13:

- Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market of the instrument, or most advantageous market for which there is access.

- Level 2: Fair value is determined based on valuation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument.

- Level 3: Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use to evaluate the same instruments, including assumptions about the inherent risks, the valuation technique used and inputs used and review processes to test the accuracy of the values obtained.

The Group considers an active market for a particular financial instrument at the measurement date, depending on business volumes and liquidity of the transactions made, the relative volatility of the prices quoted and the readiness and availability of information, the following minimum conditions should verify:

- Existence of frequent daily prices trading in the last year;
- The above quotations are exchanged regularly;
- There executable quotes from more than one entity.

A parameter used in a valuation technique is considered observable in the market, if the following conditions are met:

- If its value is determined in an active market;
- Or, if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes;
- Or, the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the preceding paragraphs.

49. Post-employment benefits and other long term benefits

The Group assumed the liability to pay to their employees pensions on retirement or disability and other obligations. These liabilities comply with the terms of the *'Acordo Colectivo de Trabalho do Grupo BCP'*. The Group's pension obligations and other liabilities are mainly covered through the Banco Comercial Português Pension Fund managed by PensõesGere - Sociedade Gestora de Fundo de Pensões, S.A.

Following the approval by the Government of the Decree-Law no.127/2011, which was published on 31 December, an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions was established that regulated the transfer of the liabilities related with pensions currently being paid to pensioners and retirees, to the Social Security.

This agreement established that the responsibilities to be transferred was related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the 'Instrumento de Regulação Colectiva de Trabalho (IRCT)' of the retirees and pensioners. The responsibilities related with the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continue to be under the responsibility of the Financial Institutions and being financed through the corresponding Pensions funds. The Decree-Law also establishes the terms and conditions under which the transfer was made by setting a discount rate of 4% to determine the liabilities to be transferred.

As referred in note 1w), in addition to the benefits provided for in collective agreements, the Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan).

The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age of the Complementary Plan. As at 14 December 2012, the ISP (Portuguese Insurance Institute) formally approved this change in the benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made and the individual rights acquired were specifically assigned to the employees

For accounting purposes and in accordance with the requirements of IAS 19, as at 31 December, 2012, there was no impact of the change of plan considering that: (i) the present value of the liabilities had no changes, and (ii) despite the Bank has carried a settlement of the plan, the actuarial deviations associated with these liabilities had already been recognised in reserves in 2011 following the change in accounting policy. Following the changes made, the Bank has no longer any financial or actuarial risk associated with liquidated liabilities.

In accordance with the accounting policy described in note 1 w), the liabilities regarding pension plans are evaluated semiannually. On this basis, the information presented refers to the year ended 31 December, 2013.

As at 31 December 2013 the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	Dec 2013
Number of participants	
Pensioners	16,100
Employees	8,871
	24,971

In accordance with the accounting policy described in note 1 w), the Group's pension obligation and the respective funding for the Group based on the projected unit credit method are analysed as follows:

	Dec 2013 Euros '000
Projected benefit obligations	
Pensioners	1,485,361
Employees	1,047,874
	2,533,235
Pension Fund Value	(2,547,275)
Net (Assets) / Liabilities in balance sheet	(14,040)
Accumulated actuarial losses recognised in Other comprehensive income	2,333,777

The change in the projected benefit obligations during 2013, is analysed as follows:

	Dec 2013		
	Pension benefit obligations Euros '000	Extra-Fund Euros '000	Total Euros '000
Balance as at 1 January	1,993,803	299,272	2,293,075
Service cost	(8,727)	170	(8,557)
Interest cost / (income)	89,051	12,782	101,833
Actuarial (gains) and losses			
Not related to changes in actuarial assumptions	9,739	62	9,801
Arising from changes in actuarial assumptions	185,977	13,984	199,961
Impact resulting from the change in the calculation of the Death Subsidy (Decree-Law no.13/2013)	-	(7,453)	(7,453)
Payments	(52,309)	(22,319)	(74,628)
Early retirement programmes	8,797	(49)	8,748
Contributions of employees	10,165	-	10,165
Transfer from other plans	290	-	290
Balance at the end of the year	2,236,786	296,449	2,533,235

The balance Impact resulting from the change of the calculation of the Death subsidy (Decree-Law n. º 13/2013) corresponds as at 31 December, 2013, to the amount of Euros 7,453,000 arising from the change in the calculation method of the death subsidy following the publication on 17 January 2013, of the Decree-Law No. 13/2013 which amends the determination of the amount of that benefit.

In accordance with IAS 19, it is a negative past service cost which occurs when there are changes on the benefit plan, which impact in a reduction of the current value of the responsibilities for past services. On that basis, the Group accounted the referred impact in results for the year 2013 (Decree-Law n. º 13/2013) .

As at 31 December 2013 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounted to Euros 52,309,000.

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 31 December 2013, to the amount of Euros 279,833,000.

Regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2013 amounts to Euros 80,932,000 (31 December 2012: Euros 86,231,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation.

ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006. As at 31 December 2013 the number of beneficiaries was 70.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the Group.

The change in the value of plan's assets, during 2013, is analysed as follows:

	Dec 2013 Euros '000
Balance as at 1 January	2,432,146
Expected return on plan assets	102,531
Actuarial gains and (losses)	(2,487)
Contributions to the Fund	56,233
Payments	(52,309)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	706
Employees contributions	10,165
Transfer from other plans	290
Balance at the end of the year	2,547,275

The elements of the Pension Fund's assets are analysed as follows:

	Dec 2013 Euros '000
Shares	681,985
Bonds and other fixed income securities	740,973
Participations units in investment funds	230,730
Participation units in real estate funds	279,973
Properties	311,213
Loans and advances to credit institutions and others	302,401
	2,547,275

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 31 December 2013, amounts to Euros 309,797,000.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

	Dec 2013 Euros '000
Fixed income securities	7
Variable income securities	143,999
	144,006

In accordance with IAS 19, as at 31 March 2014, the Group accounted as post-employment benefits an income of Euros 371,000 (31 March 2013: Euros 2,469,000), which is analysed as follows:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Service cost	(1,550)	(2,138)
Net interest cost / (income) in the liability coverage balance	1,179	(331)
(Income) / Cost of the period	(371)	(2,469)

As referred in the accounting policy 1w) and due to the change of IAS 19 - Employee Benefits, the interest cost / income became to be recognised by its net amount in interest and similar (income or costs).

As the Board Members Retirement Regulation establish that the pensions are increased annually, and as it is not common on the insurance market the acquisition of perpetual annuities including the increase in pensions, the Bank determined, the liability to be recognised on the financial statements taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with the retirement pensions of former Group's Executive Board Members, as well as the Complementary Plan for these members in accordance with the applicable rules, funded through the Pension Fund, Extra-fund and perpetual annuities.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 4,176,000. The decrease was the result of the write-down of provisions established to cover the future increases in the retirement pensions of the former members of the Executive Board of Directors, following the agreements established between the parties.

Following the agreements established between the Bank and former members of the Executive Board of Directors the amount of Euros 1,790,000 related with amounts paid to set up a perpetual annuity policy to cover the responsibility with retirement pensions of former members of the Executive Board of Directors, were reimbursed by Ocidental Vida.

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities, are analysed as follows:

	Dec 2013
	Euros '000
Balance as at 1 January	4,413
Write-back	(237)
Balance at the end of the year	4,176

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations with reference to 31 December 2013:

	Dec 2013
Increase in future compensation levels	1% until 2016 1.75% after 2017
Rate of pensions increase	0% until 2016 0.75% after 2017
Projected rate of return of fund assets	4.00%
Discount rate	4.00%
Mortality tables	
Men	TV 73/77 - 1 year
Women	TV 88/90 - 2 years
Disability rate	0%
Turnover rate	0%
Costs with health benefits increase rate	6.50%

The mortality tables consider an age inferior to the effective age of the beneficiaries, one year for men and two years for women, which is translated in higher average life expectancy.

The assumptions used on the calculation of the employees benefits are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

The determination of the discount rate as at 31 December 2013, took into account (i) the evolution in the major indexes in relation to high quality corporate bonds and (ii) duration of benefit plan liabilities.

The Group face to (i) the positive deviations observed in the last financial year and (ii) the current trend of wages evolution and the economic situation at this time, led to a growth rate of wages progressive of 1% by 2016 and 1.75% from 2017 and a growth rate of pensions from 0% by 2016 and 0.75% from 2017.

In accordance with the requirements of IAS 19, mandatory for annual periods beginning on 1 January 2013, the rate of return on plan assets considered in the calculation of the present value of the liabilities, corresponds to the discount rate.

However, it is presented below the estimated expected return for 2014:

	2014	
Asset class	**Portfolio %**	**Estimated return**
Shares	26.77%	8.72%
Bonds and other fixed income securities	29.09%	4.80%
Participations units in investment funds	9.06%	2.25%
Participation units in real estate funds	10.99%	0.56%
Properties	12.22%	6.70%
Loans and advances to credit institutions and others	11.87%	2.55%
Total income expected		5.12%

Net actuarial losses amounts to Euros 212,249,000 and are related to the difference between the actuarial assumptions used for the estimation of the pension liabilities and the actual liabilities and are analysed as follows:

	Actuarial (gains) / losses	
	Dec 2013	
	Values effectively verified in %	**Euros '000**
Deviation between		
expected and actual liabilities:		
Increase in future compensation levels	0.76%	(2,705)
Disability	0.18%	4,085
Mortality deviations	0.18%	4,020
Others	0.19%	4,401
Changes on the assumptions:		
Discount rate	4.00%	199,961
Return on Plan assets	4.00%	2,487
		212,249

The sensitivity analysis to changes in assumptions, in accordance with IAS 19, as at 31 December 2013, is as follows

	Impact resulting from changes in financial assumptions	
	-0.25%	**0.25%**
	Euros '000	**Euros '000**
Discount rate	103,218	(101,101)
Pensions increase rate	(102,403)	102,789
Increase in future compensation levels	(39,571)	41,657

	Impact resulting from changes in demographic assumptions	
	- 1 year	**+ 1 year**
	Euros '000	**Euros '000**
Mortality Table	(114,274)	66,745

Health benefit costs have a significant impact on pension costs. Considering this impact the Group performed a sensitivity analysis assuming one percent positive variation in health benefit costs (from 6.5% to 7.5% at the end of 2013) and a negative variation (from 6.5% to 5.5% at the end of 2013) in health benefit costs, which impact is analysed as follows:

	Dec 2013	
	Euros '000	
	Positive variation of 1% (6.5% to 7.5%)	Negative variation of 1% (6.5% to 5.5%)
Pension cost impact	427	(427)
Liability impact	43,051	(43,051)

The liabilities related to the seniority premium are not covered by the Group's Pension Fund because they are not considered post-employment liabilities. As at 31 December, 2013, the liabilities associated with the seniority premium amounted to Euros 49,412,000 and are covered by provisions in the same amount.

The cost of the seniority premium, for the first quarter of 2014 and 2013, is analysed as follows:

	Mar 2014	Mar 2013
	Euros '000	Euros '000
Service cost	644	664
Interest costs	526	531
Cost of the period	1,170	1,195

50. Related parties

The group of companies considered as related parties by the Group, as defined by IAS 24, are detailed in notes 27 and 58.

The Group grants loans in the ordinary course of its business within the Group's companies and to other related parties. Under the Collective Agreement of Labour for Employees of the Portuguese Banking Sector which includes substantially all employees of banks operating in Portugal, the Group grants loans to employees at interest rates determined under the above mentioned agreement for each type of loan upon request by the employees.

As at 31 March 2014, loans to members of the Executive Committee of the Board of Directors and their direct family members amounted to Euros 127,000 (31 December 2013: Euros 129,000), which represented 0.01% of shareholders’ equity (31 December 2013: 0.01%). These loans were granted in accordance with the applicable laws and regulations.

As at 31 March 2014, the principal loans and guarantees (excluding interbank and money market transactions) the Group has made to shareholders holding individually or together with their affiliates, 2% or more of the share capital whose holdings, in aggregate, represent 33.9% of the share capital (31 December 2013: 31.8%), described in the Executive Board of Directors report, amounted to approximately Euros 651,486,000 (31 December 2013: Euros 673,642,000). Each of these loans was made in the ordinary course of business, on substantially the same terms as those prevailing at the time for comparable transactions with other entities, being respected the legal formalities and regulations. The amount of impairment constituted for these contracts amounts to Euros 19,631,000 as at 31 March 2014 (31 December 2013: Euros 19,746,000).

Transactions with the Pension Fund

During the first quarter of 2014, the Group purchased to the Pension Fund, Portuguese public debt securities in the amount of Euros 290,000,000 (31 December 2013: Euros 25,000,000). During 2013, the Group also sold to the Pension Fund, Portuguese public debt securities in the amount of Euros 85,000,000.

The shareholder and bondholder position of members of the Executive Board, Top management and persons closely related to the previous categories, is as follows:

Shareholders / Bondholders	Security	Number of securities at		Changes during 2014			
		31/03/2014	31/12/2013	Acquisitions	Disposals	Date	Unit Price Euros
Members of Executive Board							
António Vítor Martins Monteiro	BCP Shares	6,589	6,589				
Carlos José da Silva	BCP Shares	414,089	414,089				
	Obrig BCP Ret Sem Cresc III/12EUR 3/2013	300	300				
Nuno Manuel da Silva Amado	BCP Shares	1,003,297	1,003,297				
André Magalhães Luiz Gomes	BCP Shares	19,437	19,437				
António Henriques Pinho Cardão	BCP Shares	281,034	281,034				
António Luís Guerra Nunes Mexia	BCP Shares	4,120	4,120				
Jaime de Macedo Santos Bastos	BCP Shares	1,468	1,468				
João Manuel Matos Loureiro	BCP Shares	4,793	4,793				
José Guilherme Xavier de Basto	BCP Shares	4,951	4,951				
	Obrig BCP Mill Rend Sem Mar 10/13	5	5				
José Jacinto Iglésias Soares	BCP Shares	384,002	384,002				
Luís Maria França de Castro Pereira Coutinho	BCP Shares	822,123	822,123				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	100,001	100,001				
Miguel de Campos Pereira de Bragança	BCP Shares	623,813	623,813				
Miguel Maya Dias Pinheiro	BCP Shares	601,733	601,733				
Rui Manuel da Silva Teixeira	BCP Shares	134,687	134,687				
Top management							
Ana Isabel dos Santos de Pina Cabral	BCP Shares	74,550	74,550				
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	82,031	82,031				
Fernando Manuel Majer de Faria	BCP Shares	624,219	624,219				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	20,879	20,879				
Mário António Pinho Gaspar Neves	BCP Shares	31,509	31,509				
	Obrig BCP Mill Rend Trim Nov 09/14	5	5				
	Obrig BCP Mill Rend Sem Mar 10/13	0	0				
	Certificado BCP Stoxx Basic Resources	610	610				
Pedro Manuel Rendas Duarte Turras	BCP Shares	25,207	25,207				
Persons closely related to the previous categories							
Isabel Maria V Leite P Martins Monteiro	BCP Shares	5,311	5,311				
Maria da Graça dos Santos Fernandes de Pinho Cardão	BCP Shares	10,485	10,485				
Maria Helena Espassandim Catão	BCP Shares	1,000	1,000				
José Manuel de Vasconcelos Mendes Ferreira	BCP Shares	4,577	4,577				

As at 31 March 2014 and 31 December 2013, the Group's credits over associated companies represented or not by securities, included in the captions Loans and advances to customers and Other receivables, are analysed as follows:

	Mar 2014			Dec 2013		
	Loans and advances to Customers Euros '000	Other receivables Euros '000	Total Euros '000	Loans and advances to Customers Euros '000	Other receivables Euros '000	Total Euros '000
Millenniumbcp Ageas Group	-	50,747	50,747	-	18,309	18,309
Unicre - Instituição Financeira de Crédito, S.A.	15,263	-	15,263	30,451	-	30,451
VSC - Aluguer de Veículos Sem Condutor, Lda.	2,345	-	2,345	7,894	-	7,894
	17,608	50,747	68,355	38,345	18,309	56,654

As at 31 March 2014 and 31 December 2013 the Group's liabilities with associated companies, represented or not by securities, included in the captions Deposits from customers and Debt securities issued, are analysed as follows:

	Mar 2014			Dec 2013		
	Deposits from Customers Euros '000	Debt Securities Issued Euros '000	Total Euros '000	Deposits from Customers Euros '000	Debt Securities Issued Euros '000	Total Euros '000
Millenniumbcp Ageas Group	710,789	3,236,154	3,946,943	732,422	3,157,129	3,889,551
SIBS, S.G.P.S, S.A.	2,713	-	2,713	10,181	-	10,181
Unicre - Instituição Financeira de Crédito, S.A.	136	-	136	4,066	-	4,066
	713,638	3,236,154	3,949,792	746,669	3,157,129	3,903,798

As at 31 March 2014, the income recognised by the Group on inter-company transactions with associated companies, included in the captions Interest income, Commissions and Other operating income, are analysed as follows:

	Mar 2014			
	Interest income Euros '000	Commissions income Euros '000	Other operating income Euros '000	Total Euros '000
Millenniumbcp Ageas Group	-	18,158	3,394	21,552
SIBS, S.G.P.S, S.A.	-	1	-	1
Unicre - Instituição Financeira de Crédito, S.A.	229	421	-	650
VSC - Aluguer de Veículos Sem Condutor, Lda.	80	1	22	103
	309	18,581	3,416	22,306

As at 31 December 2013, the income recognised by the Group on inter-company transactions with associated companies, included in the captions Interest income, Commissions and Other operating income, are analysed as follows:

	Dec 2013			
	Interest income Euros '000	Commissions income Euros '000	Other operating income Euros '000	Total Euros '000
Millenniumbcp Ageas Group	-	72,493	13,783	86,276
SIBS, S.G.P.S, S.A.	16	6	-	22
Unicre - Instituição Financeira de Crédito, S.A.	921	68	-	989
VSC - Aluguer de Veículos Sem Condutor, Lda.	919	11	-	930
	1,856	72,578	13,783	88,217

As at 31 March 2014, the costs incurred by the Group on inter-company transactions with associated companies, included in the captions Interest expense, Commissions and Administrative costs, are analysed as follows:

	Mar 2014				
	Interest expense Euros '000	Commissions expense Euros '000	Staff costs Euros '000	Administrative costs Euros '000	Total Euros '000
Millenniumbcp Ageas Group	27,882	-	707	6,224	34,813
SIBS, S.G.P.S, S.A.	14	-	-	-	14
Unicre - Instituição Financeira de Crédito, S.A.	-	-	-	-	-
	27,896	-	707	6,224	34,827

As at 31 December 2013, the costs incurred by the Group on inter-company transactions with associated companies, included in the captions Interest expense, Commissions and Administrative costs, are analysed as follows:

	Dec 2013				
	Interest expense Euros '000	Commissions costs Euros '000	Staff costs Euros '000	Administrative costs Euros '000	Total Euros '000
Millenniumbcp Ageas Group	117,693	-	3,223	18,185	139,101
SIBS, S.G.P.S, S.A.	51	-	-	-	51
Unicre - Instituição Financeira de Crédito, S.A.	-	1	-	-	1
	117,744	1	3,223	18,185	139,153

As at 31 March 2014 and 31 December 2013, the remunerations resulting from the services of insurance intermediation or reinsurance are analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Life insurance		
Saving products	7,817	32,719
Mortgage and consumer loans	4,948	19,006
Others	8	32
	12,773	51,757
Non - Life insurance		
Accidents and health	3,383	12,888
Motor insurance	604	2,267
Multi-Risk Housing	1,132	4,626
Others	266	955
	5,385	20,736
	18,158	72,493

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiaries of Millenniumbcp Ageas Group (Ocidental Vida and Ocidental Seguros).

The Bank does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Bank, other than those already disclosed.

As at 31 March 2014 and 31 December 2013, the receivable balances from insurance intermediation activity, by nature and entity, are analysed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
By nature		
Funds receivable for payment of life insurance commissions	12,773	12,578
Funds receivable for payment of non-life insurance commissions	5,385	5,092
	18,158	17,670
By entity		
Ocidental - Companhia Portuguesa de Seguros de Vida, SA	12,773	12,578
Ocidental - Companhia Portuguesa de Seguros, SA	5,385	5,092
	18,158	17,670

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

51. Segmental reporting

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for Executive Committee's management purposes. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Corporate and Investment Banking and Asset Management and Private Banking.

Following the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp), an additional segment, was considered, non-Core Business Portfolio, respecting the criteria agreed.

Segments description

The Retail Banking activity includes the Retail activity of Banco Comercial Português in Portugal, operating as a distribution channel for products and services from other companies of the Group, and the Foreign business segment, operating through several banking operations in markets with affinity to Portugal and in countries with higher growth potential.

The Retail segment in Portugal includes: (i) the Retail network in Portugal, where the strategic approach is to target “Mass Market” customers, who appreciate a value proposition based on inovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposition based on innovation and personalisation, requiring a dedicated Account Manager; and (ii) ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

The Foreign Business segment, for the purpose of business segments, comprises the operations outside Portugal, in particular Bank Millennium in Poland, Millennium bim in Mozambique and Banco Millennium Angola. The Foreign Business segment, in terms of geographical segments, comprises the Group operations outside Portugal referred to above, and also Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands.

In Poland, the Group is represented by a universal bank offering a wide range of financial products and services to individuals and companies nationwide; in Mozambique by a universal bank targeting companies and individual customers, in Angola by a bank focused on private customers and companies as well as public and private institutions and in the Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high net worth ("Affluent" segment). In Switzerland the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law.

The Companies Banking business includes the Companies segment in Portugal, which operates as a distribution channel of products and services from other companies of the Group, and the Corporate & Investment Banking segment.

The Companies in Portugal segment includes: (i) the Companies network that covers the financial needs of companies with an annual turnover between Euros 2.5 million and Euros 50 million, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing, (ii) Specialised Recovery Division, (iii) the activity of the Real Estate Business Division and (iv) Interfundos.

The Corporate & Investment Banking segment includes: (i) the Corporate network in Portugal, targeting corporate and institutional customers with an annual turnover in excess of Euros 50 million, providing a complete range of value-added products and services; (ii) Specialised Monitoring Division, (iii) the Investment Banking unit, and (iv) the activity of the Bank's International Division.

The Asset Management and Private Banking segment, for purposes of the business segments, comprises (i) the Private Banking network in Portugal, (ii) Asset Management, (iii) BII Investimentos Internacional and also includes the activities of (iv) Banque Privée BCP and (v) Millennium bcp Bank & Trust. For purposes of the geographical segments excludes Banque Privée BCP and Millennium bcp Bank & Trust that are considered Foreign Business.

Following the process for obtaining authorisation from the European Commission (EC) to the State aid, business portfolios were identified that the Bank should gradually disinvest/demobilise, ceasing grant new credit. This demobilisation is subject to a framework which dominant criteria is the capital impact optimisation, in particular through the minimisation of expected loss.

In this context, the Bank proceeded with the segregation of these portfolios, highlighting them in a separate segment defined as Non Core Business Portfolio (PNNC).

PNNC includes the business with clients for which credit has been granted for securities-backed lending, loans collateralised with other assets (for those which the debt ratio over asset value is not less than 90%), subsidised mortgage loans, construction subcontractors focused almost exclusively on the Portuguese market, football clubs and Real State development.

The separate disclosure for those types of loans resulted, exclusively, from the need to identify and monitoring the segments described in the previous paragraph, in the scope of the authorisation process abovementioned. Thus, the PNNC portfolio has not been aggregated based on risk classes or any other performance criteria.

It should be noted that, in 31 March 2014, 86% of this portfolio benefited from asset backed loans, including 66% with real estate collateral and 20% with other assets guarantee.

All other businesses are allocated to the segment Others and include the centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other values not allocated to segments.

Business segments activity

The figures reported for each business segment result from aggregating the subsidiaries and business units integrated in each segment, including the impact from capital allocation and the balancing process of each entity, both at the balance sheet and income statement levels, based on average figures. Balance sheet headings for each subsidiary and business unit are re-calculated, given the replacement of their original own funds by the outcome of the capital allocation process, according to regulatory solvency criteria.

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, the weighted risk, as well as the capital allocated to segments, are based on Basel II methodology. Following the request submitted by the Bank, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the activity in Portugal as from 31 December 2010. In the scope of the Roll-Out Plan for the calculation of capital requirements for credit and counterparty risk, the Bank of Portugal authorised the extension of that methodology to the subclasses of risk “Renewable Retail Positions” and “Other Retail Positions” in Portugal with effect as from 31 December 2011. With effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of credit conversion factors (CCF) for exposures of the class of risk “Corporates” in Portugal and the adoption of IRB methodologies for “Loans secured by residential real estate” and “Renewable positions” of the Retail portfolio in Poland. In 31 December 2013, the Bank of Portugal authorised the extension of the IRB approach to real estate credit portfolios, as well as the adoption of own estimates of LGD to the risk class "Companies" in Portugal.

Additionally, the standard approach for operational risk and the internal models approach for general market risk and foreign exchange risk, was adopted for the perimeter managed centrally from Portugal. The capital allocation for each segment, in March 2014 and 2013, resulted from the application of 10% to the risks managed by each segment. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

Operating costs determined for each business area rely on one hand on the amounts accounted directly in the respective cost centres, and on the other hand, on the amounts resulting from internal cost allocation processes. As an example, in the first set of costs are included costs related to phone communication, travelling accommodation and representation expenses and to advisory services and in the second set are included costs related to correspondence, water and electricity and to rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of previously defined criteria, related to the level of activity of each business area, like the number of current accounts, the number of customers or employees, the business volume and the space occupied.

Information related to the first quarter of 2013 is presented on a comparable basis with information related to the first quarter of 2014, reflecting the current organisational structure of the Group's business areas referred to in the segment description described above, and considering the effect of the transfer of clients.

The following information is based on financial statements prepared according to IFRS and on the organisational model in place for the Group, as at 31 March 2014.

The Group operates with special emphasis in the Portuguese market, and also in a few affinity markets and in markets of recognised growth potential. Considering this, the geographical segments include Portugal, Poland, Mozambique, Angola and Other. The segment Portugal reflects, essentially, the activities carried out by Banco Comercial Português in Portugal, ActivoBank and Banco de Investimento Imobiliário. The segment Poland includes the business carried out by Bank Millennium (Poland); while the segment Mozambique contains the activity of BIM - Banco Internacional de Moçambique and the segment Angola contains the activity of Banco Millennium Angola. The segment Other, indicated within the geographical segment reporting, comprises the Group’s operations not included in the remaining segments, namely the activities developed in other countries, such as Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands.

Following the conclusion on 19 June 2013 of the sale of the entire share capital of Millennium bank in Greece, in accordance with the general conditions announced, and according to IFRS 5, Millennium bank in Greece is now classified as a discontinued operation, with the impact on results presented on a separate line item in the profit and loss account, defined as income arising from discontinued operations, the income statement was restated as at 31 March 2013 for comparison. In terms of the consolidated balance sheet, the assets and liabilities of Millennium bank in Greece are no longer disclosed for the subsequent periods starting on 30 June 2013.

Additionally, as regards the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) on the Bank’s Restructuring Plan, in particular the sale of Millennium bcp’s operation in Romania in the mid-term and the implementation of a new approach to the assets management business, the activities of Millennium bank in Romania and of Millennium bcp Gestão de Activos were also presented on the line item of “income arising from discontinued operations”, with the restatement of profit and loss account as at 31 March 2013, for comparative purposes. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Romania and of Millennium bcp Gestão de Activos remained in the criteria considered as at 31 March 2013.

As at 31 March, 2014, the net contribution of the major business segments is analysed as follows:

	Commercial Banking			**Companies Banking**						
	Retail in Portugal	**Foreign Business (*)**	**Total**	**Companies in Portugal**	**Corporate and Investment Banking in Portugal**	**Total**	**Asset Management and Private Banking**	**Porfolio non core business**	**Other (**)**	**Consolidated**
Income statement										
Interest income	145,602	224,264	369,866	52,988	95,917	148,905	16,322	78,855	57,283	671,231
Interest expense	(99,941)	(92,598)	(192,539)	(22,075)	(42,898)	(64,973)	(14,902)	(68,805)	(93,619)	(434,838)
Net interest income	45,661	131,666	177,327	30,913	53,019	83,932	1,420	10,050	(36,336)	236,393
Commissions and other income	85,821	73,973	159,794	16,148	31,596	47,744	14,333	4,554	6,060	232,485
Commissions and other costs	(3,600)	(20,837)	(24,437)	(924)	(236)	(1,160)	(1,597)	(11)	(46,282)	(73,487)
Net commissions and other income	82,221	53,136	135,357	15,224	31,360	46,584	12,736	4,543	(40,222)	158,998
Net gains arising from trading activity	(2)	22,111	22,109	-	-	-	429	-	89,371	111,909
Staff costs and administrative costs	136,934	98,039	234,973	16,528	7,638	24,166	10,125	6,144	(7,687)	267,721
Depreciations	473	7,547	8,020	72	23	95	70	8	7,687	15,880
Operating costs	137,407	105,586	242,993	16,600	7,661	24,261	10,195	6,152	-	283,601
Impairment and provisions	(19,125)	(19,403)	(38,528)	(39,232)	(33,184)	(72,416)	876	(87,583)	(53,449)	(251,100)
Share of profit of associates under the equity method	-	-	-	-	-	-	-	-	13,079	13,079
Net gain from the sale of other assets	-	713	713	-	-	-	-	-	(6,821)	(6,108)
Net (loss) / income before income tax	(28,652)	82,637	53,985	(9,695)	43,534	33,839	5,266	(79,142)	(34,378)	(20,430)
Income tax	8,928	(17,320)	(8,392)	3,131	(13,713)	(10,582)	(876)	24,930	369	5,449
(Loss) / income after income tax from continuing operations	(19,724)	65,317	45,593	(6,564)	29,821	23,257	4,390	(54,212)	(34,009)	(14,981)
(Loss) / income arising from discontinued operations	-	(876)	(876)	-	-	-	-	-	530	(346)
Net (loss) / income after income tax	(19,724)	64,441	44,717	(6,564)	29,821	23,257	4,390	(54,212)	(33,479)	(15,327)
Non-controlling interests	-	(23,677)	(23,677)	-	-	-	-	-	(1,726)	(25,403)
Net (loss) / income after income tax	(19,724)	40,764	21,040	(6,564)	29,821	23,257	4,390	(54,212)	(35,205)	(40,730)
Balance sheet										
Cash and Loans and advances to credit institutions	5,056,663	1,804,256	6,860,919	32,186	2,273,827	2,306,013	2,501,183	3,679	(6,495,306)	5,176,488
Loans and advances to customers	17,985,291	12,514,408	30,499,699	4,792,354	7,716,412	12,508,766	489,758	12,318,480	590,548	56,407,251
Financial assets (***)	199,674	3,178,144	3,377,818	-	-	-	18,842	-	11,072,738	14,469,398
Other assets	139,256	642,409	781,665	10,812	45,435	56,247	19,196	1,418	5,436,654	6,295,180
Total Assets	23,380,884	18,139,217	41,520,101	4,835,352	10,035,674	14,871,026	3,028,979	12,323,577	10,604,634	82,348,317
Deposits from other credit institutions	8,584	2,000,068	2,008,652	2,711,586	1,370,585	4,082,171	276,021	11,537,496	(5,156,246)	12,748,094
Deposits from customers	20,963,138	14,065,096	35,028,234	1,679,498	7,727,437	9,406,935	2,345,170	241,228	2,281,833	49,303,400
Debt securities issued	1,807,608	316,155	2,123,763	4,763	62	4,825	182,728	4,543	7,571,278	9,887,137
Other financial liabilities	-	356,204	356,204	-	-	-	17,120	-	5,115,539	5,488,863
Other liabilities	10,625	379,709	390,334	14,234	28,376	42,610	10,458	5,212	1,133,690	1,582,304
Total Liabilities	22,789,955	17,117,232	39,907,187	4,410,081	9,126,460	13,536,541	2,831,497	11,788,479	10,946,094	79,009,798
Equity and non-controlling interests	590,929	1,021,985	1,612,914	425,271	909,214	1,334,485	197,482	535,098	(341,460)	3,338,519
Total Liabilities, Equity and non-controlling interests	23,380,884	18,139,217	41,520,101	4,835,352	10,035,674	14,871,026	3,028,979	12,323,577	10,604,634	82,348,317

(*) Includes the activity of Banca Millennium Romania;
(**) Includes the activity of Millennium bcp Gestão de Activos;
(***) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

As at 31 March, 2013, the net contribution of the major business segments is analysed as follows:

	Commercial Banking			**Companies Banking**						
	Retail in Portugal	**Foreign Business (*)**	**Total**	**Companies in Portugal**	**Corporate and Investment Banking in Portugal**	**Total**	**Asset Management and Private Banking**	**Porfolio non core business**	**Other (**)**	**Consolidated**
Income statement										
Interest income	147,903	234,714	382,617	61,114	102,554	163,668	24,393	100,310	51,920	722,908
Interest expense	(134,561)	(129,377)	(263,938)	(28,685)	(53,127)	(81,812)	(24,147)	(80,207)	(93,582)	(543,686)
Net interest income	13,342	105,337	118,679	32,429	49,427	81,856	246	20,103	(41,662)	179,222
Commissions and other income	85,370	69,417	154,787	16,982	27,612	44,594	11,192	6,630	13,216	230,419
Commissions and other costs	(3,517)	(17,329)	(20,846)	(811)	(2,100)	(2,911)	(1,917)	(13)	(51,120)	(76,807)
Net commissions and other income	81,853	52,088	133,941	16,171	25,512	41,683	9,275	6,617	(37,904)	153,612
Net gains arising from trading activity	8	27,799	27,807	-	-	-	90	-	44,725	72,622
Staff costs and administrative costs	148,255	98,257	246,512	17,114	9,194	26,308	8,866	6,407	(8,624)	279,469
Depreciations	491	7,520	8,011	61	26	87	79	11	8,624	16,812
Operating costs	148,746	105,777	254,523	17,175	9,220	26,395	8,945	6,418	-	296,281
Impairment and provisions	(35,092)	(20,393)	(55,485)	(45,150)	(24,119)	(69,269)	359	(92,349)	(20,956)	(237,700)
Share of profit of associates under the equity method	-	-	-	-	-	-	-	-	14,094	14,094
Net gain from the sale of other assets	-	5,604	5,604	-	-	-	-	-	(7,052)	(1,448)
Net (loss) / income before income tax	(88,635)	64,658	(23,977)	(13,725)	41,600	27,875	1,025	(72,047)	(48,755)	(115,879)
Income tax	27,773	(12,380)	15,393	4,346	(13,104)	(8,758)	542	22,695	(2,046)	27,826
(Loss) / income after income tax from continuing operations	(60,862)	52,278	(8,584)	(9,379)	28,496	19,117	1,567	(49,352)	(50,801)	(88,053)
(Loss) / income arising from discontinued operations	-	(44,230)	(44,230)	-	-	-	-	-	456	(43,774)
Net (loss) / income after income tax	(60,862)	8,048	(52,814)	(9,379)	28,496	19,117	1,567	(49,352)	(50,345)	(131,827)
Non-controlling interests	-	(18,576)	(18,576)	-	-	-	-	-	(1,559)	(20,135)
Net (loss) / income after income tax	(60,862)	(10,528)	(71,390)	(9,379)	28,496	19,117	1,567	(49,352)	(51,904)	(151,962)
Balance sheet										
Cash and Loans and advances to credit institutions	4,383,820	2,038,488	6,422,308	26,119	3,110,019	3,136,138	3,409,988	2,884	(7,743,648)	5,227,670
Loans and advances to customers	18,714,860	15,400,342	34,115,202	5,214,035	8,212,412	13,426,447	685,494	13,469,160	459,652	62,155,955
Financial assets (***)	1,948	3,349,857	3,351,805	-	-	-	30,744	-	12,292,235	15,674,784
Other assets	84,295	905,517	989,812	5,262	25,961	31,223	18,436	593	5,375,895	6,415,959
Total Assets	23,184,923	21,694,204	44,879,127	5,245,416	11,348,392	16,593,808	4,144,662	13,472,637	10,384,134	89,474,368
Deposits from other credit institutions	-	3,297,763	3,297,763	3,277,430	1,441,144	4,718,574	860,802	12,457,639	(7,389,826)	13,944,952
Deposits from customers	19,586,227	16,226,922	35,813,149	1,493,940	8,850,431	10,344,371	2,759,160	202,453	2,918,233	52,037,366
Debt securities issued	3,010,757	326,356	3,337,113	6,752	4,679	11,431	353,520	6,825	8,491,885	12,200,774
Other financial liabilities	-	667,081	667,081	-	-	-	30,664	-	5,190,476	5,888,221
Other liabilities	9,733	447,851	457,584	16,519	36,446	52,965	3,730	-	1,020,310	1,534,589
Total Liabilities	22,606,717	20,965,973	43,572,690	4,794,641	10,332,700	15,127,341	4,007,876	12,666,917	10,231,078	85,605,902
Equity and non-controlling interests	578,206	728,231	1,306,437	450,775	1,015,692	1,466,467	136,786	805,720	153,056	3,868,466
Total Liabilities, Equity and non-controlling interests	23,184,923	21,694,204	44,879,127	5,245,416	11,348,392	16,593,808	4,144,662	13,472,637	10,384,134	89,474,368

(*) Includes the activity of Millennium Bank Greece and Banca Millennium Romania;
(**) Includes the activity of Millennium bcp Gestão de Activos;
(***) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

As at 31 March, 2014, the net contribution of the major geographic segments is analysed as follows:

	Portugal											
	Retail Banking	**Companies**	**Corporate and Investment Banking**	**Asset Management and Private Banking**	**Porfolio non core business**	**Other (*)**	**Total**	**Poland**	**Angola**	**Mozambique**	**Other (**)**	**Consolidated**
Income statement												
Interest income	145,602	52,988	95,917	9,384	78,855	57,283	440,029	149,908	27,218	47,138	6,938	671,231
Interest expense	(99,941)	(22,075)	(42,898)	(10,350)	(68,805)	(93,619)	(337,688)	(68,467)	(8,694)	(15,437)	(4,552)	(434,838)
Net interest income	45,661	30,913	53,019	(966)	10,050	(36,336)	102,341	81,441	18,524	31,701	2,386	236,393
Commissions and other income	85,821	16,148	31,596	6,940	4,554	6,060	151,119	42,654	10,357	20,962	7,393	232,485
Commissions and other costs	(3,600)	(924)	(236)	(50)	(11)	(46,282)	(51,103)	(11,687)	(1,685)	(7,465)	(1,547)	(73,487)
Net commissions and other income	82,221	15,224	31,360	6,890	4,543	(40,222)	100,016	30,967	8,672	13,497	5,846	158,998
Net gains arising from trading activity	(2)	-	-	-	-	89,371	89,369	12,914	4,677	4,520	429	111,909
Staff costs and administrative costs	136,934	16,528	7,638	4,789	6,144	(7,687)	164,346	61,704	15,857	20,479	5,335	267,721
Depreciations	473	72	23	1	8	7,687	8,264	3,231	1,906	2,410	69	15,880
Operating costs	137,407	16,600	7,661	4,790	6,152	-	172,610	64,935	17,763	22,889	5,404	283,601
Impairment and provisions	(19,125)	(39,232)	(33,184)	160	(87,583)	(53,449)	(232,413)	(15,609)	(890)	(2,904)	716	(251,100)
Share of profit of associates under the equity method	-	-	-	-	-	13,079	13,079	-	-	-	-	13,079
Net gain from the sale of other assets	-	-	-	-	-	(6,821)	(6,821)	561	152	-	-	(6,108)
Net (loss) / income before income tax	(28,652)	(9,695)	43,534	1,294	(79,142)	(34,378)	(107,039)	45,339	13,372	23,925	3,973	(20,430)
Income tax	8,928	3,131	(13,713)	(407)	24,930	369	23,238	(10,587)	(2,540)	(4,192)	(470)	5,449
(Loss) / income after income tax from continuing operations	(19,724)	(6,564)	29,821	887	(54,212)	(34,009)	(83,801)	34,752	10,832	19,733	3,503	(14,981)
(Loss) / income arising from discontinued operations	-	-	-	-	-	530	530	-	-	-	(876)	(346)
Net (loss) / income after income tax	(19,724)	(6,564)	29,821	887	(54,212)	(33,479)	(83,271)	34,752	10,832	19,733	2,627	(15,327)
Non-controlling interests	-	-	-	-	-	(1,726)	(1,726)	(11,986)	(5,121)	(6,570)	-	(25,403)
Net (loss) / income after income tax	(19,724)	(6,564)	29,821	887	(54,212)	(35,205)	(84,997)	22,766	5,711	13,163	2,627	(40,730)
Balance sheet												
Cash and Loans and advances to credit institutions	5,056,663	32,186	2,273,827	1,393,404	3,679	(6,495,306)	2,264,453	1,067,031	404,028	270,226	1,170,750	5,176,488
Loans and advances to customers	17,985,291	4,792,354	7,716,412	239,892	12,318,480	590,548	43,642,977	10,235,944	657,018	1,184,249	687,063	56,407,251
Financial assets (***)	199,674	-	-	50	-	11,072,738	11,272,462	2,273,565	443,972	397,310	82,089	14,469,398
Other assets	139,256	10,812	45,435	8,573	1,418	5,436,654	5,642,148	252,135	185,690	179,799	35,408	6,295,180
Total Assets	23,380,884	4,835,352	10,035,674	1,641,919	12,323,577	10,604,634	62,822,040	13,828,675	1,690,708	2,031,584	1,975,310	82,348,317
Deposits from other credit institutions	8,584	2,711,586	1,370,585	304	11,537,496	(5,156,246)	10,472,309	1,399,576	258,503	177,887	439,819	12,748,094
Deposits from customers	20,963,138	1,679,498	7,727,437	1,439,432	241,228	2,281,833	34,332,566	10,934,943	1,272,074	1,511,571	1,252,246	49,303,400
Debt securities issued	1,807,608	4,763	62	182,728	4,543	7,571,278	9,570,982	292,305	-	23,850	-	9,887,137
Other financial liabilities	-	-	-	-	-	5,115,539	5,115,539	353,064	-	-	20,260	5,488,863
Other liabilities	10,625	14,234	28,376	829	5,212	1,133,690	1,192,966	205,272	33,310	138,799	11,957	1,582,304
Total Liabilities	22,789,955	4,410,081	9,126,460	1,623,293	11,788,479	10,946,094	60,684,362	13,185,160	1,563,887	1,852,107	1,724,282	79,009,798
Equity and non-controlling interests	590,929	425,271	909,214	18,626	535,098	(341,460)	2,137,678	643,515	126,821	179,477	251,028	3,338,519
Total Liabilities, Equity and non-controlling interests	23,380,884	4,835,352	10,035,674	1,641,919	12,323,577	10,604,634	62,822,040	13,828,675	1,690,708	2,031,584	1,975,310	82,348,317

(*) Includes the activity of Millennium bcp Gestão de Activos;
(**) Includes the activity of Banca Millennium Romania;
(***) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

As at 31 March, 2013, the net contribution of the major geographic segments is analysed as follows:

	Portugal											
	Retail Banking	Companies	Corporate and Investment Banking	Asset Management and Private Banking	Porfolio non core business	Other (*)	Total	Poland	Angola	Mozambique	Other (**)	Consolidated
Income statement												
Interest income	147,903	61,114	102,554	13,006	100,310	51,920	476,807	170,458	22,113	42,144	11,386	722,908
Interest expense	(134,561)	(28,685)	(53,127)	(17,208)	(80,207)	(93,582)	(407,370)	(109,192)	(5,802)	(14,383)	(6,939)	(543,686)
Net interest income	13,342	32,429	49,427	(4,202)	20,103	(41,662)	69,437	61,266	16,311	27,761	4,447	179,222
Commissions and other income	85,370	16,982	27,612	4,944	6,630	13,216	154,754	41,934	7,287	20,196	6,248	230,419
Commissions and other costs	(3,517)	(811)	(2,100)	(281)	(13)	(51,120)	(57,842)	(9,032)	(798)	(7,499)	(1,636)	(76,807)
Net commissions and other income	81,853	16,171	25,512	4,663	6,617	(37,904)	96,912	32,902	6,489	12,697	4,612	153,612
Net gains arising from trading activity	8	-	-	-	-	44,725	44,733	16,287	6,810	4,702	90	72,622
Staff costs and administrative costs	148,255	17,114	9,194	3,825	6,407	(8,624)	176,171	61,138	15,767	21,351	5,042	279,469
Depreciations	491	61	26	1	11	8,624	9,214	3,446	1,791	2,282	79	16,812
Operating costs	148,746	17,175	9,220	3,826	6,418	-	185,385	64,584	17,558	23,633	5,121	296,281
Impairment and provisions	(35,092)	(45,150)	(24,119)	304	(92,349)	(20,956)	(217,362)	(12,630)	(4,573)	(3,190)	55	(237,700)
Share of profit of associates under the equity method	-	-	-	-	-	14,094	14,094	-	-	-	-	14,094
Net gain from the sale of other assets	-	-	-	-	-	(7,052)	(7,052)	239	10	5,355	-	(1,448)
Net (loss) / income before income tax	(88,635)	(13,725)	41,600	(3,061)	(72,047)	(48,755)	(184,623)	33,480	7,489	23,692	4,083	(115,879)
Income tax	27,773	4,346	(13,104)	983	22,695	(2,046)	40,647	(6,854)	(1,396)	(4,130)	(441)	27,826
(Loss) / income after income tax from continuing operations	(60,862)	(9,379)	28,496	(2,078)	(49,352)	(50,801)	(143,976)	26,626	6,093	19,562	3,642	(88,053)
(Loss) / income arising from discontinued operations	-	-	-	-	-	456	456	-	-	-	(44,230)	(43,774)
Net (loss) / income after income tax	(60,862)	(9,379)	28,496	(2,078)	(49,352)	(50,345)	(143,520)	26,626	6,093	19,562	(40,588)	(131,827)
Non-controlling interests	-	-	-	-	-	(1,559)	(1,559)	(9,183)	(2,879)	(6,514)	-	(20,135)
Net (loss) / income after income tax	(60,862)	(9,379)	28,496	(2,078)	(49,352)	(51,904)	(145,079)	17,443	3,214	13,048	(40,588)	(151,962)
Balance sheet												
Cash and Loans and advances to credit institutions	4,383,820	26,119	3,110,019	1,802,876	2,884	(7,743,648)	1,582,070	933,647	302,157	581,509	1,828,287	5,227,670
Loans and advances to customers	18,714,860	5,214,035	8,212,412	282,171	13,469,160	459,652	46,352,290	9,715,043	504,893	1,040,469	4,543,260	62,155,955
Financial assets (***)	1,948	-	-	50	-	12,292,235	12,294,233	2,569,012	338,839	211,054	261,646	15,674,784
Other assets	84,295	5,262	25,961	5,085	593	5,375,895	5,497,091	295,438	185,225	148,004	290,201	6,415,959
Total Assets	23,184,923	5,245,416	11,348,392	2,090,182	13,472,637	10,384,134	65,725,684	13,513,140	1,331,114	1,981,036	6,923,394	89,474,368
Deposits from other credit institutions	-	3,277,430	1,441,144	653	12,457,639	(7,389,826)	9,787,040	1,397,419	328,531	174,709	2,257,253	13,944,952
Deposits from customers	19,586,227	1,493,940	8,850,431	1,714,670	202,453	2,918,233	34,765,954	10,693,941	838,877	1,453,304	4,285,290	52,037,366
Debt securities issued	3,010,757	6,752	4,679	353,520	6,825	8,491,885	11,874,418	196,269	-	26,282	103,805	12,200,774
Other financial liabilities	-	-	-	-	-	5,190,476	5,190,476	412,302	-	-	285,443	5,888,221
Other liabilities	9,733	16,519	36,446	928	-	1,020,310	1,083,936	163,853	49,996	164,671	72,133	1,534,589
Total Liabilities	22,606,717	4,794,641	10,332,700	2,069,771	12,666,917	10,231,078	62,701,824	12,863,784	1,217,404	1,818,966	7,003,924	85,605,902
Equity and non-controlling interests	578,206	450,775	1,015,692	20,411	805,720	153,056	3,023,860	649,356	113,710	162,070	(80,530)	3,868,466
Total Liabilities, Equity and non-controlling interests	23,184,923	5,245,416	11,348,392	2,090,182	13,472,637	10,384,134	65,725,684	13,513,140	1,331,114	1,981,036	6,923,394	89,474,368

(*) Includes the activity of Millennium bcp Gestão de Activos;
(**) Includes the activity of Millennium Bank Greece and Banca Millennium Romania;
(***) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

Reconciliation of net income of reportable segments with the net result of the Group

Description of the relevant items of reconciliation:

	Mar 2014 Euros '000	Mar 2013 Euros '000
Net contribution (excluding minority interest effect)		
Retail Banking in Portugal	(19,724)	(60,862)
Companies	(6,564)	(9,379)
Corporate and Investment Banking	29,821	28,496
Asset Management and Private Banking	887	(2,078)
Portfolio non core business	(54,212)	(49,352)
Foreign Business	68,820	55,923
Non-controlling interests (1)	(25,403)	(20,135)
	(6,375)	(57,387)
(Loss) / income from descontinued operations	(346)	(43,774)
	(6,721)	(101,161)
Amounts not allocated to segments:		
Interests of hybrid instruments	(66,164)	(66,640)
Net interest income of the bond portfolio	38,728	36,250
Interests written off	(18,014)	(30,017)
Cost of debt issue with State Guarantee	(10,264)	(17,254)
Own Credit Risk	(1,742)	(2,429)
Impact of exchange rate hedging of investments	(42)	(1,171)
Equity accounted earnings	13,079	14,094
Impairment and other provisions (2)	(53,449)	(20,956)
Others (3)	63,859	37,322
Total not allocated to segments	(34,009)	(50,801)
Consolidated net (loss) / income	(40,730)	(151,962)

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, in Mozambique and in Angola;
(2) Includes provisions for property in kind, administrative infractions, various contingencies and other unallocated to business segments.
(3) Includes funding for non interest bearing assets and the financial strategies as well as tax effect associated with the items previously discriminated.

52. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally coordinating with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

Monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the Group's business is subject are of particular importance.

Main Types of Risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfils their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk is understood to be the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal Organisation

The Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of economic capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at the level both of the Group and of each entity. At the proposal of the Banco Comercial Português Executive Committee, the Board of Directors also approves the risk-tolerance level acceptable to the Group.

The Risk Commission is responsible for monitoring the overall levels of risk incurred, ensuring that they are compatible with the objectives and strategies approved for the business.

The Group Risk Officer is responsible for the control of risks in all the Group entities, in order to ensure that the risks are monitored on an overall basis and that there is alignment of concepts, practices and objectives. It must also keep the Risk Commission informed of the Group's level of risk, proposing measures to improve control and implementing the approved limits.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Commission and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent in their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Group Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems of monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention of money laundering, combating financing of terrorism, prevention of conflict of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk Evaluation and Management Model

For purposes of profitability analysis and risk quantification and control, each entity is divided into the following management areas:

- Trading and Sales: involves those positions whose objective is to obtain short-term gains through sale or revaluation. These positions are actively managed, are tradable without restriction and may be valued frequently and precisely, including the securities, the derivatives and the sales activities;
- Financing: Financing operations of the group in the market, including both money market operations and institutional ones (and possible risk coverage), but no structural financing transactions (e.g. subordinated debt);
- Investment: includes those positions in securities to be held to maturity, during a longer period of time or those that are not tradable on liquid markets, or any others that are held with no other purpose than short-term gains. Also includes any other hedging risk operation associated to those;
- Commercial: includes all operations (assets and liabilities) held at the normal course of business group with its customers;
- ALM: is the Assets and Liabilities management function, including operations decided by CALCO in the group's global risk management function and centralizes the transfer of risk between the remaining areas;
- Structural: deals with balance sheet elements or operations that, because of their nature, are not directly related to any of the other areas, including structural financing operations of the group, capital and balance sheet fixed items;

The definition of the management areas allows effective separation of the management of the trading and banking portfolios, as well as a proper allocation of each operation to the most appropriate management area according to their context.

<u>Risk assessment</u>

Credit Risk

Credit granting is based on prior classification of the customers' risk and on thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers showing worsening credit capacity and, in particular, those classified as being in default in keeping with the Basel II Accord.

All the rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale.

The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to more active collateralization of loans and more adequate pricing of the risk incurred.

To quantify the credit risk at the level of the various portfolios, the Group has developed a model based on an actuarial approach, which provides the distribution of total loss probability. In addition to the Probability of Default (PD) and of the Amount of the Loss Given Default (LGD) as the central points, consideration is also given to the uncertainty associated with the development of these parameters, through the introduction of the respective volatility. The effects of diversification and/or concentration between the sectors of the loan portfolios are quantified by introducing the respective correlations.

The gross Group's exposure to credit risk (original exposure), as at 31 March 2014 and 31 December 2013 is presented in the following table:

	Original exposure	
Risk items	**Mar 2014 Euros '000**	**Dec 2013 Euros '000**
Central Governments or Central Banks	10,927,999	11,378,621
Regional Governments or Local Authorities	744,475	776,639
Administrative and non-profit Organisations	314,506	302,772
Multilateral Development Banks	74,903	73,468
Other Credit Institutions	4,947,313	4,472,853
Retail and Corporate customers	72,818,313	73,617,722
Other items	9,381,691	9,347,502
	99,209,200	99,969,577

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

The following table includes the European countries that have been under particular attention in this period, such as Portugal, Greece, Ireland, Spain, Italy and Hungary. The amount represents the gross exposure (nominal value), as at 31 March 2014 of the credit granted to entities whose country is one of those identified.

		March 2014					Euros '000
		Country					
Counterparty type	Maturity	Spain	Greece	Hungary	Ireland	Italy	Portugal
Financial Institutions	2014	423,307	-	1,109	565,023	23,113	425,873
	2015	24,037	-	-	-	-	51,144
	2016	-	-	-	-	-	15,698
	>2016	61,500	-	-	-	-	507,315
		508,844	-	1,109	565,023	23,113	1,000,030
Companies	2014	17,334	-	-	2,553	-	6,866,438
	2015	10,000	424	-	-	-	519,492
	2016	-	-	-	-	-	572,684
	>2016	124,484	25,183	-	188	-	6,414,336
		151,817	25,607	-	2,740	-	14,372,949
Retail	2014	5,305	38	4	76	202	2,382,879
	2015	90,093	5	2	2,854	37	578,510
	2016	69	9	1	89	42	500,276
	>2016	97,379	297	130	57,383	5,521	21,952,586
		192,846	349	138	60,402	5,802	25,414,252
State and other public entities	2014	-	-	-	-	-	2,441,146
	2015	-	-	-	-	-	1,054,463
	2016	-	-	-	-	-	432,697
	>2016	34,553	-	-	-	50,000	3,871,783
		34,553	-	-	-	50,000	7,800,089
Total country		888,060	25,956	1,247	628,165	78,915	48,587,319

The balance Financial Institutions includes applications in other credit institutions. The amounts do not include interest and are not deducted from the values of impairment.

The balance Companies includes the amounts of credit granted to the companies segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance Retail includes the amounts of credit granted to the retail segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance State and other public entities includes the amounts related to sovereign debt, credit to governmental institutions, public companies, governments and municipalities, and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

Market Risks

The Group in monitoring and control of market risk existing in the diverse portfolios (according to the previous definition), uses an integrated risk measure that includes the main types of market risk identified by the Group: generic risk, specific risk, non linear risk and commodities risk.

The measure used in evaluating the generic market risk is the VaR (Value at Risk). The VaR is calculated on the basis of the analysis approximation defined in the methodology developed by the RiskMetrics. It is calculated considering a 10-working day time horizon and an unilateral statistical confidence interval of 99%. In calculating the volatility associated with each risk factor, is performed using the econometric model estimation EWMA that assumes a greater weighting for the market conditions seen in the more recent days, thus ensuring more accurate adjustment to market conditions.

A specific risk evaluation model is also applied to securities (bonds, shares, certificates, etc) and associated derivatives for which the performance is related to its value. With the necessary adjustments, this model follows regulatory standard methodology.

Complementary measures are also used for other types of risk, a risk measure that incorporates the non-linear risk of options not covered in the VaR model, with a confidence interval of 99% and a standard measure for commodities risks.

These measures are included in the indicator of market risk with the conservative assumption of perfect correlation between the various types of risk.

Capital at risk values are determined both on an individual basis for each one of the position portfolios of those areas having responsibilities in risk taking and management, as well as in consolidated terms taking into account the effects of diversification between the various portfolios.

To ensure that the VaR model adopted is appropriate to the evaluation of the risks involved in the positions that have been assumed, a back testing process has been instituted. This is carried out on a daily basis and it confronts the VaR indicators with the actual results.

The following table shows the main indicators for these measures to the trading portfolio, during the first quarter 2014:

					Euros '000
	Mar 2014	**Average**	**Maximum**	**Minimum**	**Dec 2013**
Generic Risk (VaR)	3,853	5,951	13,705	3,486	2,202
Interest Rate Risk	3,842	5,921	14,001	3,094	1,599
FX Risk	1,112	1,517	1,432	1,486	1,313
Equity Risk	1,052	869	896	720	589
Diversification effects	*2,154*	*2,355*	*2,624*	*1,814*	*1,299*
Specific Risk	407	352	413	263	263
Non Linear Risk	33	35	48	27	25
Commodities Risk	19	18	24	16	17
Global Risk	4,311	6,356	14,136	3,855	2,507

Evaluation of the interest rate risk originated by the banking portfolio is performed by a risk sensitivity analysis process carried out every month for all operations included in the Group's consolidated balance sheet.

For this analysis are considered the financial characteristics of the contracts available in information systems. Based on these data, a projection for expected cash flows is made, according to the repricing dates and any prepayment assumptions considered.

Aggregation of the expected cash flows for each time interval for each of the currencies under analysis allows determination of the interest rate gaps per repricing period.

The interest rate sensitivity of the balance sheet in each currency is calculated through the difference between the present value of the interest rate mismatch after discounting the market interest rates and the discounted value of the same cash flows by simulating parallel shifts of the market interest rates.

The following tables shows the expected impact on the banking books economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, on each of the main currencies:

		mar 2014		Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	361	110	3,119	6,234
EUR	19,556	(49,990)	83,534	166,408
PLN	(8,739)	(4,413)	4,481	9,013
USD	(11,299)	(8,288)	10,768	21,052
TOTAL	(122)	(62,581)	101,901	202,707

		Dec 2013		Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	601	286	2,242	4,498
EUR	151,969	98,083	(73,665)	(141,442)
PLN	15,434	7,538	(7,208)	(14,112)
USD	(1,865)	(2,427)	4,353	8,536
TOTAL	166,139	103,480	(74,278)	(142,520)

The Group limits the foreign currency exposure of investments made in subsidiaries abroad through the financing of net investments in money market operations and deposits from customer in the same currencies that makes the referred investments. The information of net investments, considered by the Group in hedging strategies on subsidiaries and on hedging instruments used, is as follows:

Company	Currency	Net Investment Currency '000	Hedging instruments Currency '000	Net Investment Euros '000	Hedging instruments Euros '000
Banque Privée BCP (Suisse) S.A.	CHF	119,833	119,833	98,272	98,272
Millennium bcp Bank & Trust	USD	340,000	340,000	246,591	246,591
BCP Finance Bank, Ltd.	USD	561,000	561,000	406,876	406,876
BCP Finance Company	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	64,445	64,445	46,740	46,740
Bank Millennium, S.A.	PLN	1,950,125	1,950,125	467,443	467,443

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity.

The ineffectiveness generated in the hedging operations is recognised in the statement of income, as referred in the accounting policy 1 e).

Liquidity risk

Evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The evolution of the Group's liquidity situation for short-term time horizons (up to 3 months) is reviewed daily on the basis of two indicators defined in-house, immediate liquidity and quarterly liquidity. These measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding to the liquidity position of the day under analysis the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the transactions as a whole brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, for their dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered highly liquid is added to the calculated value, leading to determination of the liquidity gap accumulated for each day of the period under review.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risks Commission is responsible for controlling the liquidity risk.

This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries, fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

The active and optimized management of the portfolio of eligible assets in the Eurosystem remained a priority within the liquidity management policy of the Bank, and during the first quarter 2014 included, among others, the following actions: unwind of two securitization transactions and re-allocation to the pool of the underlying assets under the form of additional credit rights; the adoption of a new framework that allowed the selection of a material amount of new credit assets that were posted to the ECB's pool and significantly allowed its reinforcement, and the extension of the maturity to 2017 of a retained issue of covered bonds.

The sustained reduction of the market financing needs shown by a new decrease of the net funding in the Eurosystem to Euros 9,234,501,777, the return of the Bank to the capital markets in February and the continued optimized management of the eligible assets assured a comfortable liquidity buffer, which allowed the early redemption of a Euros 2,000,000,000 issue guaranteed by the State which was withdrawn from the portfolio of eligible collateral, with the associated savings.

The evolution of the liquidity position of the Bank also allowed the early redemption of a new LTRO tranche of Euro 1,000,000,000 from an original total of Euros 12,000,000,000, reducing its current balance to Euros 10,000,000,000 and allowing increased flexibility in short-term treasury management.

The eligible pool of assets for funding operations in the European Central Bank and other Central Banks in Europe, net of haircuts, is detailed as follows:

	Mar 2014 Euros '000	Dec 2013 Euros '000
European Central Bank	15,868,435	17,803,957
Other Central Banks	1,542,442	1,918,129
	17,410,877	19,722,086

As at 31 March 2014, the amount discounted in the European Central Bank and Other Central Banks amounted to Euros 10,000,000,000 and Euros 0 respectively (31 December 2013: Euros 11,000,000,000 and Euros 0).

The amount of eligible assets for funding operations in the European Central Banks includes securities issued by SPEs concerning securitization operations in which the assets were not derecognised at a consolidated level, therefore the respective securities are not recognised in the securities portfolio.

The evolution of the Pool Monetary Policy of the ECB and the corresponding collaterals used is analysed as follows:

					Euros '000
	Mar 14	**Dec 13**	**Sep 13**	**Jun 12**	**Mar 13**
Collateral total after haircuts	15,868,435	17,803,957	19,551,827	15,807,708	17,554,340
Collateral used	10,000,000	11,000,000	12,900,000	11,900,000	11,209,000
Collateral available after haircuts	5,868,435	6,803,957	6,651,827	3,907,708	6,345,340

The indicated value "Total collateral after haircuts" corresponds to the amount reported in SITEME (application of the Bank of Portugal), which does not include, with reference to 31 March 2014:

i) - the other eligible assets and those temporarily out of the pool, which together amounted to Euros 3,578,827,000;
ii) - deposits made with the Bank of Portugal, deducted from the minimum cash reserves and accrued interest in the amount of Euros 765,498,000.

Thus, as at 31 March 2014, the liquidity mobilized through collateral available, plus deposits with the Bank of Portugal deducted from the minimum cash reserves and accrued interest, amounted to Euros 10,212,760,000 (31 December 2013: Euros 19,930,660,000).

	Reference value	Mar 14	Dec 13
Accumulated net cash flows up to 1 year as % of total accounting liabilities	Not less than (- 6 %)	-6.1%	8.9%
Liquidity gap as a % of illiquid assets	Not less than (- 20 %)	2.4%	1.5%
Transformation Ratio (Credit / Deposits) (2)		116.0%	117.4%
Coverage ratio of Wholesale funding by HLA (1)			
(up to 1 Month)		497.3%	1052.5%
(up to 3 Months)		309.8%	502.2%
(up to 1 Year)		141.4%	187.4%

(1) HLA- Highly Liquid Assets.

(2) Transformation ratio computed according to Banco de Portugal rules for the Funding & Capital Plans (Financial consolidation).

Operational Risk

The approach to operational risk management is based on the business and support end-to-end processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for evaluation of the risks and for strengthening the performance within the scope of their processes. The Process Owners are responsible for keeping up to date all the relevant documentation concerning the processes, for ensuring the real adequacy of all the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risk self-assessment exercises, and for detecting and implementing improvement opportunities, including mitigating measures for the more significant exposures.

In the operational risk model implemented in the Group, there is a systematic process of gathering information on operational losses that defines on a systematic form, the causes and the effects associated to an eventual detected loss. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of loans.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of the Bank.

53. Solvency

Following the request submitted by Millennium bcp, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the activity in Portugal as from 31 December 2010. In the scope of the Roll-Out Plan for the calculation of capital requirements for credit and counterparty risk, the Bank of Portugal authorised the extension of this methodology to the subclasses of risk “Renewable Retail Positions” and “Other Retail Positions” in Portugal with effect as from 31 December 2011. With effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk "Corporates" in Portugal and the adoption of IRB methodologies for “Loans secured by residential real estate” and “Renewable positions” of the Retail portfolio in Poland. With effect as from 31 December 2013, the Bank of Portugal authorised the extension of the IRB approach to the real estate promotion credit portfolios, as well as the adoption of own estimates of LGD for the risk class “Corporates” in Portugal. In the 1st half of 2009, the Bank received authorization from the Bank of Portugal to adopt the advanced approaches (internal models) to the generic market risk and the standard method for the operational risk.

Consolidated own funds of Banco Comercial Português are determined according to the applicable regulatory rules, namely the Notice n. 6/2010 from the Bank of Portugal. The own funds result from adding tier 1 with tier 2 and subtracting the component of Deductions. For the calculation of tier 1 are considered the core tier 1 elements, established in the Notice n. 3/2011, and other relevant elements to the discharge of tier 1. The tier 1 and, in particular, core tier 1, comprises the steadiest components of the own funds.

As core tier 1 positive elements, the paid-up capital and the share premium, hybrid instruments eligible for this line item, fully subscribed by the Portuguese State in the scope of the Bank's capitalisation process, the reserves and the retained earnings, non-controlling interests in fully consolidated subsidiaries and the deferred impacts related to the transition adjustments to the International Financial Reporting Standards, are considered. Net losses, own shares, goodwill and other intangible assets correspond to negative elements.

At the end of 2011 the Bank decided for a change in the accounting policy related to the recognition of actuarial gains and losses of the Pension Fund. Accordingly, and following an analysis of the options permitted by the International Accounting Standard (IAS) 19 - Employee benefits, the Group decided to recognize the actuarial gains and losses against reserves. Previously, the Group used to defer actuarial gains and losses according to the corridor method, in which the unrecognised actuarial gains and losses that exceed 10% of the largest among between the current value of the liabilities and the fair value of the assets were recognised against the income statement according to the estimated remaining useful life of active employees.

Despite this change in accounting policy, the Bank of Portugal, for prudential purposes, allowed the maintenance of a corridor, corresponding to the higher value between i) 10% of liabilities from retirement and other pensions benefits, and ii) 10% of the value of the Pension Fund, as defined in the Regulation n. 2/2012 from the Bank of Portugal.

Core tier 1 can also be influenced by the replacement of unrealised gains and losses which do not represent impairment on debt securities, loans and other receivables recorded in the available-for-sale portfolio, on cash-flow hedge transactions and on financial liabilities at fair value through profits and losses, net of taxes, to the extent related to own credit risk, as well as by the reversal of unrealised gains on equity securities classified as available-for-sale and loans and other receivables from the trading portfolio or measured at fair value through profits and losses.

Since the second half of 2011, the Bank of Portugal established new rules which have influenced the core tier 1 of the Group:

- In November 2011, the Bank of Portugal issued a clarification regarding the Notice n. 6/2010, determining a deduction to core tier 1 related to customers' deposits with yields above a certain threshold (Instruction n. 15/2012 from the Bank of Portugal).

- In June 2012, the Bank issue Euros 3,000 millions of core tier 1 capital instruments subscribed by the Portuguese State within the scope of the recapitalization process of the Goup and in accordance with the Notice n. 3/2011 from the Bank of Portugal, being eligible until 50% of tier 1.

The additional elements that integrate the tier I are preference shares and other hybrid instruments, up to the limit of 15% and 35% of tier 1, respectively, and even some deductions taken by 50%: (i) of interests held in financial institutions and insurers; and (ii) the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach.

The tier 2 includes the subordinated debt and 45% of the unrealized gains on avalable for sale assets that have been deducted to the core tier 1. These components are part of the upper tier 2, except the subordinated debt, that is split between upper tier 2 (perpetual debt) and lower tier 2 (the remaining). Subordinated debt can only be included in the own funds with the agreement of the Bank of Portugal and as long as their total amount complies with the following limits: a) the tier 2 cannot surpass the amount of the tier 1 and b) the lower tier 2 cannot surpass 50% of the tier 1. Additionally, non-perpetual subordinated loans should be amortised at a 20% annual rate, during the last five years to maturity. The tier 2 is also subject to the deduction of the remaining 50% not deducted to the tier 1: (i) of interests held in financial institutions (more than 10%) and insurers (at least 20%); and (ii) the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach. If the amount of tier 2 is not enough to accommodate this deduction, the excess should be subtracted to the tier 1.

In order to conclude the calculation of the regulatory capital, there are still some deductions to the own funds that need to be performed, namely the amount of real-estate assets resulting from recovered loans that have exceeded the regulatory period of permanence in the Bank’s accounts, the impairment concerning securitization transactions that have not reached the regulatory definition of effective risk transfer, to the extent of the amounts not recognised in the Bank's accounts, and the potential excess of exposure to risk limits in the scope of the Notice n. 7/2010 from the Bank of Portugal.

Capital requirements have been determined in accordance with the Basel II framework since the beginning of 2008. Capital requirements for credit risk have been determined in accordance with the Notice n. 5/2007 from the Bank of Portugal, lusing Internal Rating models (IRB) to calculate minimum capital requirements for a substantial part of both retail and corporate exposures managed from Portugal and retail exposures of Poland, as from 31 December 2012 and the standardised approach for the remaining portfolios and geographies.

Capital requirements for operational risk have been calculated following the standard approach described in the Notice n. 9/2007 from the Bank of Portugal, and capital requirements for the trading portfolio have been calculated according to the Notice n. 8/2007 from the Bank of Portugal, using the internal models approach to calculate capital requirements for the generic market risk of the trading portfolio, comprising the sub-portfolios managed from Portugal, related to debt instruments, capital instruments and foreign exchange risks, and the standardised approach to calculate capital requirements for the specific risk, in both cases since 2009.

Additionally, in the scope of the program of financial assistance to Portugal, the Bank of Portugal established, through the Notice n. 3/2011, that financial groups should reinforce their core tier 1 ratios, on a consolidated basis, to at least 10% until 31 December 2012. In accordance to the criteria defined by EBA, which include the capital buffer of Euros 848 million related to sovereign risks, the BCP Group should report a core tier 1 ratio of at least 9%.

On 22 July 2013, EBA released a recommendation establishing the preservation of a nominal floor of core tier I capital corresponding to the amount of capital needed to meet the core tier 1 ratio of 9% as at 30 June 2012, including the same capital buffer for exposures to sovereign risk, in order to ensure an appropriate transition to the stricter requirements of the CRD IV/CRR.

This recommendation foresees some exceptions in cases of restructuring plans and specific de-risking programs and for those banks whose Common Equity Tier 1 (CET1) level is above the minimum capital requirements and the capital conservation buffer computed under fully implemented CRD IV/CRR requirements, for which the nominal capital floor may be set taking as reference a later date, upon a request from the credit institutions to the Bank of Portugal and its subsequent assessment. In this context, Millenniumbcp submitted that request, in due time, which is currently under review.

On 26 June 2013, the European Parliament and the Council approved the Directive 2013/36/UE and the Regulation (EU) 575/2013 (Capital Requirements Directive IV / Capital Requirements Regulation - CRD IV/CRR) establishing new and more demanding capital requirements for credit institutions, with effects as from 1 January 2014.

These stricter requirements result from a more narrowly definition of own funds and risks weighted assets, together with the establishment of minimum capital ratios, including a capital conservation buffer of 7% for CET1 and Tier 1 and of 10.5% for the Total Capital ratio. However, the CRD IV/CRR also stipulates a transitional period (phase-in), in which institutions may accommodate the new requirements, both in terms of own funds and of compliance with minimum capital ratios. Notwithstanding, the Bank of Portugal, through Notice n. 6/2013 of 23 December, determined that the institutions are bound to permanently ensure the maintenance of a CET1 ratio equal or above 7 % and that, whenever this goal is not achieved, the institution must adopt capital conservation measures.

In spite of the fact that the new regulatory framework is already in effect, EBA extended until 30 June 2014 the deadline for the delivery of the first regulatory report under the CRD IV/CRR, to be made with reference as of 31 March 2014. Therefore, the Group decided to present, in this document, the capital ratios estimated pursuant to the rules in force until 31 December 2013, which are still calculated and reported to the Bank of Portugal.

The own funds and the capital requirements determined according to the methodologies previously referred are the following:

	Mar 2014 Euros '000	Dec 2013 Euros '000
Core own funds		
Paid-up capital and share premium	3,500,000	3,500,000
Other capital instruments	3,000,000	3,000,000
Reserves and retained earnings	(909,016)	(892,093)
Non-controlling interests	707,896	699,062
Intangible assets	(249,008)	(250,418)
Net impact of accruals and deferrals	12,744	16,992
Other regulatory adjustments	(40,355)	(33,205)
Core tier 1	6,022,261	6,040,338
Preference shares and other securities	22,262	40,340
Other regulatory adjustments	(442,150)	(434,440)
Total	5,602,373	5,646,238
Complementary own funds		
Upper Tier 2	179,855	163,357
Lower Tier 2	714,518	716,637
	894,373	879,994
Deductions to total own funds	(104,521)	(105,602)
Total own funds	6,392,225	6,420,630
Own funds requirements		
Requirements from Regulation no.5/2007	3,132,887	3,225,845
Trading portfolio	74,343	38,843
Operational risk	249,410	249,410
	3,456,640	3,514,098
Capital ratios		
Core tier 1	13.9%	13.8%
Tier 1	13.0%	12.9%
Tier 2 (*)	1.8%	1.8%
Solvency ratio	14.8%	14.6%
By memory:		
Core Tier 1 EBA	11.0%	10.8%

(*) Includes deductions to total own funds

54. Relevant Administrative proceedings underway and related proceedings

1. At the end of the year 2007, the Bank received a formal notice dated 27 December 2007 informing that administrative proceedings no. 24/07/CO were brought by the Bank of Portugal against the Bank and against seven former Directors and two Managers, "based on preliminary evidence of administrative offences foreseen in the General Framework of Credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, 31 December), in particular with respect to breach of accounting rules, provision of false or incomplete information to the Bank of Portugal, in particular in what respects to the amount of own funds and breach of prudential obligations".

A press release issued by the Bank of Portugal on 28 December 2007 mentioned that such administrative proceedings were initiated "based on facts related to 17 off-shore entities, whose nature and activities were always hidden from the Bank of Portugal, in particular in previous inspections carried out".

On 12 December 2008, the Bank was notified of an accusation under administrative proceedings no. 24/07/CO instructed by the Bank of Portugal, in which this Authority charges the Bank and the other defendants, with the practice of six administrative offences regulated by paragraph g) and three administrative offences regulated by paragraph r) of article 211 of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC).

The offences, should the charges be proven true, could be the following:

a) Failure to comply with the applicable accounting rules, determined by law or by the Bank of Portugal, that does not cause serious damage to the knowledge of the company's assets and financial standing is an administrative offence regulated by article 210 (f) of the LFCIFC, whereby companies are punished by a fine between Euros 750 and Euros 750,000. However, if such conduct causes serious damages, it may become an offence regulated by article 211 (g) of the LFCIFC, whereby companies are punished by a fine between Euros 2,500 and Euros 2,494,000; and

b) (i)) the omission of information and communications to the Bank of Portugal, within the due deadlines or (ii) the provision of incomplete information are offences regulated by article 210 (h – presently amended to i) of the LFCIFC, whereby companies are punished by a fine between Euros 750 and Euros 750,000. However, (i) the provision of false information or (ii) of incomplete information to the Bank of Portugal that may lead to wrongful conclusions with the same or similar effect as false information regarding that subject are offences regulated by article 211 (r) of the LFCIFC, whereby companies are punished by a fine between Euros 2,500 and Euros 2,494,000.

According to the accusation, each offence is punishable by a fine between Euros 2,493.99 and Euros 2,493,989.49, and pursuant to the rules on accrued offences, defined in article 19 (1 and 2), of the Portuguese legal regime on administrative offences (Regime Geral das Contra-ordenações), in case of conviction for several offences, there shall be a single fine, the maximum amount of which cannot surpass twice the highest limit of the accrued offences.

In March 2009, the Bank did not accept the charges or accusations made and provided defence under these administrative proceedings within due term.

On 12 May 2010, the Bank was notified of the contents of the decision that, within the scope of the proceedings, was issued by the Board of Directors of the Bank of Portugal, applying to it, as primary sanction, a single fine of Euros 5,000,000.

Different fines were applied to the remaining defendants as primary sanctions, globally amounting to Euros 4,470,000. The Board of Directors of the Bank of Portugal decided to withdraw the charges relating to a former Director and a Manager.

The Bank objected to this decision and was informed of the decision to accept the legal objections presented by all the defendants.

The trial hearing began in April 2011 and, in September, the Court heard one of the witnesses, in order to better appraise the validity of the documentation provided with the claims and their eventual nullity as evidence, due to violation of banking secrecy.

After the hearing, the Court issued a decision dated of 7 October 2011 declaring that the evidence was null and therefore the entire process was annulled.

The Public Prosecutor and the Bank of Portugal appealed this decision. The Bank and other defendants presented their counter-claim.

On 5 July 2012, the Bank was notified of the decision of the Tribunal da Relação de Lisboa (Lisbon court of appeals) which approved the appeals presented by the Bank of Portugal and by the Public Prosecutor, and revoked the decision appealed, determining that, "there being no other reason not to, the trial hearing shall be continued and at the appropriate moment, a decision will be made based on the evidence".

Several defendants (natural persons) presented an appeal to the Constitutional Court.

Pursuant to a summary judgment adopted on 20 March 2013, the Constitutional Court rejected the appeals brought by the defendants, stating that those appeals did not comply with the respective requirements.

On 29 May 2013, the Constitutional Court did not accept the claims presented in the meantime by some of the defendants (natural persons), confirming the decision on which the claim was presented and the proceedings was given to the lower Stage Court for the scheduling of the trial.

Pursuant to a decision made on 27 February 2014, the "Tribunal de Pequena Instância Criminal de Lisboa" (court of Lisbon for minor criminal offences) scheduled a date (31 March 2014) to resume the court hearing for debate and judgement and decided to bar all offences imputed to one former Director of BCP, due to the statute of limitations. In what specifically concerns BCP, the "Tribunal de Pequena Instância Criminal de Lisboa" (court of Lisbon for minor criminal offences) decided to bar two administrative offences imputed to it, (alleged forging of accounting records) due to the statute of limitations.

By a decision issued on 2 April 2014, the administrative proceeding brought against one of the defendant, was declared as having reached the statute of limitations regarding all the offences imputed to him.

Presently the court hearing for debate and sentence was already resumed at Tribunal de Pequena Instância Criminal de Lisboa (court of Lisbon for minor criminal offences) and several hearings already took place. There is no scheduled date for the end of the debate and sentencing hearing.

2. On July 2009, the Bank was notified of the accusation brought about by the Public Prosecutor in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the above mentioned facts, and to present in this process a request for an indemnity.

Considering this notification, and although considering as reproduced the contents of the defence presented in the above mentioned administrative proceedings, the Bank decided, in order to avoid any risk of a future allegation of loss of the right to an indemnity that may occur if no recourse is presented in this process, to present legal documentation claiming: (i) the recognition of its right, in a later period namely following the final identification of the facts, to present a separate process in civil courts requesting an indemnity and (ii) additionally and cautiously, if the right to the request of a separate indemnity process in civil courts is not recognised, a civil indemnity according to the facts and terms mentioned in the accusation, if they are proven.

On 19 July 2011 the Bank was notified of the decision of the 8ª Vara Criminal de Lisboa (8th Lisbon criminal court section) that recognised that the Bank could present an eventual request for civil indemnity separately. One of the Defendants appealed this decision to the Court of Appeals, which was admitted by the first instance court but has a merely devolutive effect, being passed to the higher court only with the eventual appeal of the first instance Court's sentence.

Through a sentence issued on 2 May 2014, three of the four defendants were sentenced to suspended prison sentences (to 2 years) and to the payment of fines amounting to Euros 300,000 and 600,000, disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper.

The defense of the defendants already manifested the intention to appeal from the sentence and requested the extension of the deadline to do so.

3. On 22 June 2012, three companies controlled by the same physical person, the Ring Development Corp., the Willow Securities Inc., and the Lisop Sociedade de Serviços Investimentos e Comercio de Imobiliários Lda. (the "Plaintiffs") brought forward a lawsuit in the courts of Lisbon against Banque Privée BCP (Suisse) S.A. and the Bank requesting: (i) compensation for an unspecified amount, but always above Euros 40 millions, for alleged damages and (ii) that certain loan agreements established between the Plaintiffs and Banque Privée BCP (Suisse) S.A. in 2008, amounting to a total of around Euros 80 million be declared null but without the subsequent legal duty to return the funds borrowed. Notwithstanding the fact that the agreements are ruled by Swiss law, the Plaintiffs based their request for the agreements to be declared null on an alleged violation of the provisos of the Portuguese Companies Code, stating that the loan agreements were made to enable the Plaintiffs to purchase shares of the Bank and on the fact that they had been forced to enter into the same. The Plaintiffs based their compensation request on alleged losses incurred due to the fact that Banque Privée BCP (Suisse) S.A. triggered the agreements' clause, selling the listed shares given as pledge at base prices, as foreseen in the loan agreements, and that the Plaintiffs were not given the possibility to continue to trade the pledged assets after the execution.

The loan agreements are ruled by Swiss Law and subject to the jurisdiction of the Swiss courts and the Bank was informed that, according to Swiss law, the Plaintiffs' request is not likely to be granted. Since the lawsuit was brought forward in the Portuguese courts, if the Portuguese courts decide to try the same, its outcome may be uncertain. Since the Bank believes that the Plaintiffs' request has no grounds, the Bank did not make any provisions regarding this litigation.

On 29 October 2012, the Bank presented its arguments. Banque Privée BCP (Suisse) S.A. requested that the citation be considered null; the request was accepted and an order was issued for the repetition of the citation, and the same was repeated on 8 January 2013. Banque Privée presented its arguments on 11 March 2013. On 10 January 2014, the parties presented their evidence requests and BCP and Banque Privée presented on 23 January 2014 their replies to the Plaintiff's evidence requests. The proceeding is waiting the scheduling of a preliminary hearing or the pronunciation of a decision accepting the formalities of right of action.

55. Sovereign debt of European Union countries subject to bailout

As at 31 March 2014, the Group's exposure to sovereign debt of European Union countries subject to bailout, is as follows:

	Mar 2014					
Issuer / Portfolio	**Book value Euros '000**	**Fair value Euros '000**	**Fair value reserves Euros '000**	**Average interest rate %**	**Average maturity Years**	**Fair value measurement levels**
Portugal						
Financial assets held for trading	188,180	188,180	-	4.61%	4.6	1
Financial assets available for sale	4,315,728	4,315,728	162,056	3.02%	3.0	1
Financial assets held to maturity	1,859,409	1,878,141	-	4.44%	4.3	n.a.
	6,363,317	6,382,049	162,056			
Greece						
Financial assets held for trading	1,935	1,935	-	0.00%	0.0	1
	1,935	1,935	-			
	6,365,252	6,383,984	162,056			

The securities value includes the respective accrued interest.

As at 31 December 2013, the Group's exposure to sovereign debt of European Union countries subject to bailout, is as follows:

	Dec 2013					
Issuer / Portfolio	Book value Euros '000	Fair value Euros '000	Fair value reserves Euros '000	Average interest rate %	Average maturity Years	Fair value measurement levels
Portugal						
Financial assets held for trading	180,612	180,612	-	4.58%	5.0	1
Financial assets available for sale	3,860,807	3,860,807	89,412	2.83%	1.8	1
Financial assets held to maturity	1,837,108	1,859,094	-	4.44%	4.5	n.a.
	5,878,527	5,900,513	89,412			
Greece						
Financial assets held for trading	1,768	1,768	-	0.00%	0.0	1
	1,768	1,768	-			
	5,880,295	5,902,281	89,412			

The securities value includes the respective accrued interest.

The Group's exposure registered in the balance Loans and advances to customers and Guarantees and future commitments, related to sovereign risk of the European Union countries subject to bailout is presented as follows:

	Loans and advances to customers		Guarantees and future commitments	
	Mar 2014 Euros '000	Dec 2013 Euros '000	Mar 2014 Euros '000	Dec 2013 Euros '000
Portugal	940,647	963,268	11,684	13,085
	940,647	963,268	11,684	13,085

56. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets. The financial assets sold under these transactions are derecognised from the balance sheet of the Group, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities:
- determine the objective of the Fund;
- manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which the Group holds minority positions) establish companies under the Portuguese law in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These securities are remunerated at an interest rate that reflects the risk of the company that holds the assets.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the sale value.

These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest.

However, considering these assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, they are fully provided.

Therefore, following the transactions, the Group subscribed:

-Participation units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Group has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end.
- Junior securities (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it doesn't hold substantially all the risks and rewards.

Considering that it doesn't hold control and doesn't exercise significant influence on the funds or companies management, the Group performed, under the scope of IAS 39.20 c, the derecognition of the assets transferred and the recognition of the assets received as follows:

	Values associated to transfers of assets					
	Mar 2014			Dec 2013		
	Net assets transferred Euros '000	Received value Euros '000	Income / (loss) resulting from the transfer Euros '000	Net assets transferred Euros '000	Received value Euros '000	Income / (loss) resulting from the transfer Euros '000
Fundo Recuperação Turismo FCR	266,079	292,644	26,565	266,079	292,644	26,565
Fundo Reestruturação Empresarial FCR	82,798	83,444	646	78,800	79,446	646
FLIT	300,042	277,518	(22,524)	300,042	277,518	(22,524)
Vallis Construction Sector Fund	200,105	235,656	35,551	196,658	232,209	35,551
Fundo Recuperação FCR	218,320	202,173	(16,147)	218,320	202,173	(16,147)
Discovery Real Estate Fund	146,198	131,957	(14,241)	144,768	130,527	(14,241)
	1,213,542	1,223,392	9,850	1,204,667	1,214,517	9,850

As at 31 March 2014, the amount of this account is comprised of:

	Mar 2014					
	Senior securities Euros '000	Junior securities Euros '000	Total Euros '000	Impairment for seniors Euros '000	Impairment for juniors Euros '000	Net value Euros '000
Fundo Recuperação Turismo FCR	276,364	-	276,364	-	-	276,364
Fundo Reestruturação Empresarial FCR	89,409	-	89,409	(467)	-	88,942
FLIT	181,417	65,645	247,062	(4,154)	(65,645)	177,263
Vallis Construction Sector Fund	210,394	35,441	245,835	-	(35,441)	210,394
Fundo Recuperação FCR	197,957	70,784	268,741	(18,392)	(70,784)	179,565
Discovery Real Estate Fund	133,256	-	133,256	-	-	133,256
	1,088,797	171,870	1,260,667	(23,013)	(171,870)	1,065,784

As at 31 December 2013, the amount of this account is comprised of:

	Dec 2013					
	Senior securities Euros '000	Junior securities Euros '000	Total Euros '000	Impairment for seniors Euros '000	Impairment for juniors Euros '000	Net value Euros '000
Fundo Recuperação Turismo FCR	275,046	-	275,046	-	-	275,046
Fundo Reestruturação Empresarial FCR	82,696	-	82,696	-	-	82,696
FLIT	181,417	65,645	247,062	(4,154)	(65,645)	177,263
Vallis Construction Sector Fund	207,632	34,610	242,242	-	(34,610)	207,632
Fundo Recuperação FCR	183,169	70,637	253,806	(17,018)	(70,637)	166,151
Discovery Real Estate Fund	131,390	-	131,390	-	-	131,390
	1,061,350	170,892	1,232,242	(21,172)	(170,892)	1,040,178

The junior securities correspond to supplementary capital contributions in the amount of Euros 136,429,000 (31 December 2013: Euros 136,282,000), as referred in note 33 and Participation units in the amount of Euros 35,441,000 (31 December 2013: 34,610,000) as referred in note 24.

Additionally, there is an amount of Euros 27,450,000 (31 December 2013: Euros 27,450,000) booked in the loans and advances to customer's portfolio that is fully provided for.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for.

Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

57. Discontinued operations

Under the restructuring plan, the Group provides for the sale in the short / medium term operation Banca Millennium S.A. in Romania and Millennium Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A. The total assets and liabilities of these subsidiaries are recognized in the consolidated balance while in the respective lines and the costs and profits for the year are now presented in a single line called profit from discontinued operations.

	Banca Millennium		Millennium bcp Gestão de Activos	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
	Euros '000	Euros '000	Euros '000	Euros '000
Cash and deposits at credit institutions	54,376	101,631	452	76
Loans and advances to credit institutions	8,594	18,973	2,303	11,846
Loans and advances to customers	437,196	449,051	-	-
Securities and trading derivatives	64,839	39,938	-	1,562
Other assets	23,244	24,352	2,241	2,436
Total assets	588,249	633,945	4,996	15,920
Deposits from Central Banks	-	-	-	-
Deposits from other credit institutions	164,100	189,971	-	-
Deposits from customers	346,507	364,627	-	-
Financial liabilities held for trading	3,141	3,259	-	-
Provisions	211	1,146	-	-
Other liabilities	2,117	2,113	2,379	1,841
Total Liabilities	516,076	561,116	2,379	1,841
Share capital	67,993	67,814	1,000	6,721
Share premium	17,499	17,453	-	-
Reserves and retained earnings	(13,319)	(12,438)	1,617	7,358
Total Equity	72,173	72,829	2,617	14,079
Total Equity and liabilities	588,249	633,945	4,996	15,920

The main items of the income statement, related to these discontinued operations, are analysed as follows:

	Banca Millennium		Millennium bcp Gestão de Activos	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
	Euros '000	Euros '000	Euros '000	Euros '000
Net interest income	3,794	4,306	16	96
Net fees and commissions income	1,347	1,304	1,723	1,540
Net gains on trading	615	1,273	-	-
Other operating income	38	323	(2)	3
Total operating income	5,794	7,206	1,737	1,639
Staff costs	2,525	3,466	513	464
Other administrative costs	3,194	4,198	487	551
Depreciation	454	575	1	-
Other results	6,173	8,239	1,001	1,015
Loans and other assets impairment and other provisions	(765)	(1,459)	-	-
Operating loss	(1,144)	(2,492)	736	624
Net gain from the sale of subsidiaries and other assets	12	-	-	-
Income tax	191	384	(206)	(182)
(Loss) / profit for the period	(941)	(2,108)	530	442

58. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 March 2014 the Banco Comercial Português Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Banco de Investimento Imobiliário, S.A.	Lisbon	217,000,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	41,000,000	EUR	Banking	100.0	100.0	–
Banca Millennium S.A.	Bucharest	303,195,000	RON	Banking	100.0	100.0	–
Banco Millennium Angola, S.A.	Luanda	4,009,893,495	AOA	Banking	50.1	50.1	50.1
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	65.5	65.5	65.5
Banque Privée BCP (Suisse) S.A.	Geneve	70,000,000	CHF	Banking	100.0	100.0	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	202,176,125	EUR	Investment	100.0	15.3	–
Caracas Financial Services, Limited	George Town	25,000	USD	Financial Services	100.0	100.0	100.0
MB Finance AB	Stockholm	500,000	SEK	Investment	100.0	65.5	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	Sao Paulo	45,205,149	BRL	Financial Services	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0	100.0	100.0
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BCP África, S.G.P.S., Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
Bitalpart, B.V.	Rotterdam	19,370	EUR	Holding company	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	2,000,000	EUR	Venture capital	100.0	100.0	100.0
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	48.5	–
BII Investimentos International, S.A.	Luxembourg	150,000	EUR	Investment fund management	100.0	100.0	–
Enerparcela - Empreendimentos Imobiliários, S.A.	Alverca	8,850,000	EUR	Real-estate management	100.0	100.0	–
Imábida - Imobiliária da Arrábida, S.A. (*)	Oeiras	1,750,000	EUR	Real-estate management	100.0	100.0	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
Adelphi Gere, Investimentos Imobiliários, S.A.	Lisbon	2,550,000	EUR	Real-estate management	100.0	100.0	–
Sadamora - Investimentos Imobiliários, S.A.	Lisbon	1,000,000	EUR	Real-estate management	100.0	100.0	–
Millennium bcp - Prestação de Serviços, A. C. E.	Lisbon	331,000	EUR	Services	93.8	94.3	78.0

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Services	100.0	65.5	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	65.5	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	65.5	–
Millennium Telecomunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	65.5	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	65.5	–
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	Oeiras	1,000,000	EUR	Investment fund management	100.0	100.0	100.0
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext services	100.0	100.0	100.0
MBCP REO I, LLC	Delaware	1,389,835	USD	Real-estate management	100.0	100.0	–
MBCP REO II, LLC	Delaware	3,209,260	USD	Real-estate management	100.0	100.0	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
Propaço- Sociedade Imobiliária De Paço D'Arcos, Lda	Oeiras	5,000	EUR	Real-estate company	52.7	52.7	52.7
QPR Investimentos, S.A. (*)	Lisbon	50,000	EUR	Advisory and services	100.0	100.0	100.0
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
TBM Sp.z o.o.	Warsaw	500,000	PLN	Advisory and services	100.0	65.5	–

(*) - Companies classified as non-current assets held for sale

The Group also consolidates under the full consolidation method the following Investment Funds: "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo Especial de Investimento Imobiliário Oceânico II", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital", "Fundo Especial de Investimento Imobiliário Fechado Sand Capital", "Fundo de Investimento Imobiliário Fechado Gestimo", "M Inovação - Fundo de Capital de Risco BCP Capital", "Fundo Especial de Investimento Imobiliário Fechado Intercapital", "Millennium Fundo de Capitalização - Fundo de Capital de Risco", "Funsita - Fundo Especial de Investimento Imobiliário Fechado", "Imoport - Fundo de Investimento Imobiliário Fechado", "Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado" and "Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado", as referred in the accounting policy presented in note 1 b).

As at 31 March 2014 the Banco Comercial Português Group's associated companies, were as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Banque BCP, S.A.S.	Paris	93,733,823	EUR	Banking	19.9	19.9	19.9
Banque BCP, S.A. (**)	Luxembourg	18,500,000	EUR	Banking	8.8	8.8	–
Academia Millennium Atlântico	Luanda	47,500,000	AOA	Education	33.0	16.5	–
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,625	EUR	Extractive industry	20.0	20.0	20.0
Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A. (**)	Luanda	19,200,000	USD	Services	10.0	10.0	–
Beira Nave	Beira	2,849,640	MZN	Naval shipyards	22.8	13.7	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.0	–
Luanda Waterfront Corporation (**)	George Town	10,810,000	USD	Services	10.0	10.0	–
Flitptrell III SA	Lisbon	50,000	EUR	Turism	50.0	50.0	50.0

(**) - Given the nature of the Group's involvement, the Board of Directors believes that the Group maintains a significant influence on the companies.

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	32.8	–
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1	41.1	41.1
Quinta do Furão - Sociedade de Animação Turística e Agrícola de Santana, Lda	Funchal	1,870,492	EUR	Tourism	31.3	31.3	31.3
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	21.9	21.9	21.5
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory and services	25.0	25.0	25.0
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	31.7
VSC - Aluguer de Veículos Sem Condutor, Lda.	Lisbon	5,000	EUR	Long term rental	50.0	50.0	–

As at 31 March 2014 the Banco Comercial Português Group's subsidiary and associated insurance companies included in the consolidated accounts under the full consolidation method and equity method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	89.9	60.0	–

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	1,000,002,375	EUR	Holding company	49.0	49.0	–
Médis - Companhia Portuguesa Seguros de Saúde, S.A.	Oeiras	12,000,000	EUR	Health insurance	49.0	49.0	–
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ocidental - Companhia Portuguesa de Seguros, S.A.	Oeiras	12,500,000	EUR	Non-life insurance	49.0	49.0	–
Pensõesgere, Sociedade Gestora Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

The Group held a set of securitization transactions regarding mortgage loans, consumer loans and corporate loans which were set through specifically created SPE: Magellan Mortgages No. 3, Magellan Mortgages No. 2, Nova Finance No. 4 and Caravela SME No.3. As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.