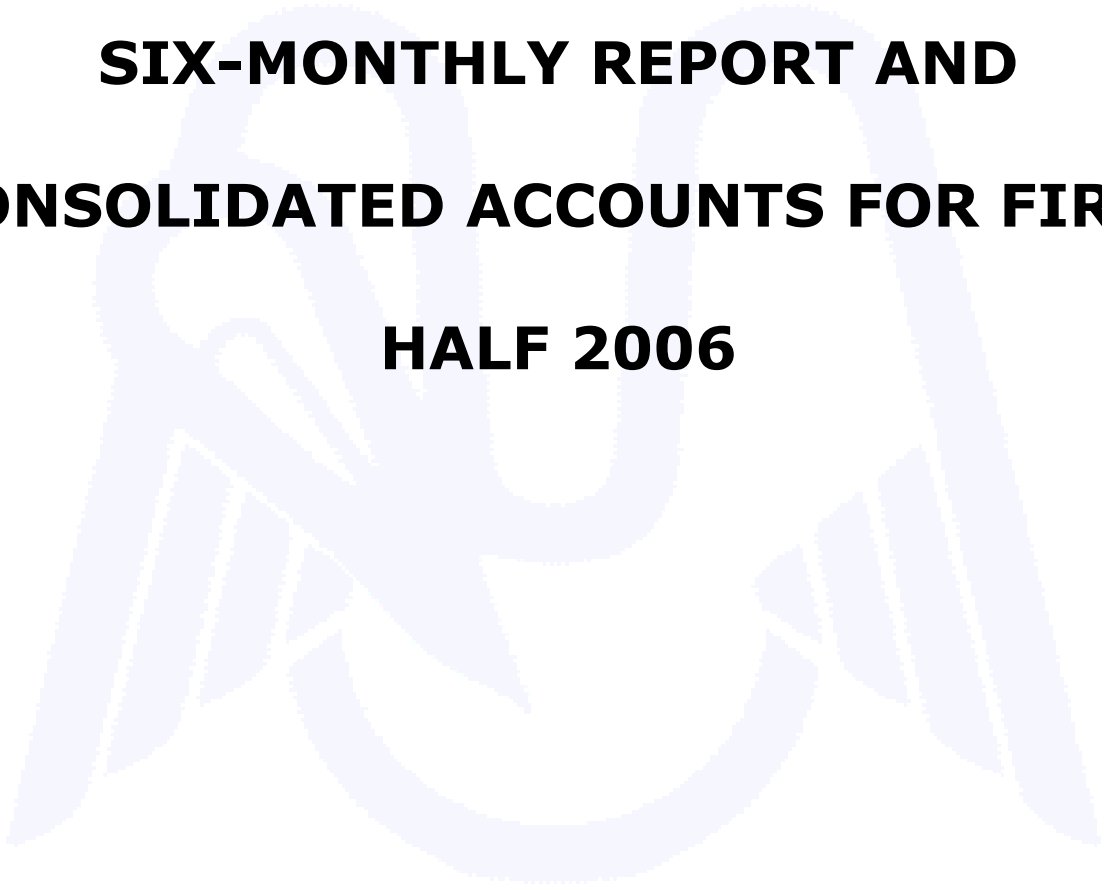


CAIXA ECONÓMICA MONTEPIO GERAL
SIX-MONTHLY REPORT AND
CONSOLIDATED ACCOUNTS FOR FIRST
HALF 2006

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II – CEMG Consolidated Accounts as at 30 June 2006

1. Introduction

The Management Report relating to CEMG's individual operations gives a detailed description of the key issues for the development of the various businesses pursued by the bodies making up the MG Group. So the reader should refer to that Report in regard to such matters. This Report covers the main issues relating to the consolidation of the accounts.

Scope of Consolidation

The consolidation, conducted in accordance with the appropriate rules, comprises the following entities:

1. Consolidated by the full consolidation method:

- CEMG;
- MG Cabo Verde;
- Credit title vehicles ("Pelican Mortgages No.1" and "Pelican Mortgages No.2"); these entities, through which the securitization operations were conducted, are included in the consolidation since it is possible to assume that CEMG exercises control over their activities, pursuant to the criteria laid down by the IAS.

2. Consolidated by the net worth method – this method is employed with associate companies in which CEMG holds a long-lasting investment but which it does not control. The following holdings fall into this category:

- Lusitania, Companhia de Seguros SA (*);
- Lusitania Vida, Companhia de Seguros SA (*);
- HTA – Hotéis, Turismo e Animação dos Açores, SA;
- Norfin – Soc. Gestora de Fundos de Investimentos Imobiliários, SA;

* This consolidation only takes into account CEMG's direct holding in Lusitania (26.2%) and in Lusitania Vida (39.3%). MG-AM's position in these strategic holdings (65.7% e 39.2%%, respectively) do not fall within the scope of the consolidation.

Differences between Individual and Consolidated Profits

IMPACT ON PROFITS AND NET POSITION OF CONSOLIDATION OF FINANCIAL HOLDINGS

(Thousands of euros)

ACCOUNT	NET PROFIT	NET POSITION
CEMG - Individual Accounts 30.Jun.06 (a)	30.245	792.109
Impact of Consolidation of Financial Holdings	1.091	-2.824
Full Consolidation	30	-
MG Cabo Verde	30	-
Net Worth	1.061	-2.824
Lusitania	882	-2.188
Lusitania Vida	235	-189
NORFIN	69	214
HTA Hoteis Turismo A Açores	-125	-661
Other IAS and IFRS readjustments(b)	-50	-71.291
CEMG - Consolidated Accounts 30.Jun.06	31.286	717.994

(a) the net position recorded in the individual accounts does not include Retained Earnings

(b) adjustments calculated as per the IAS/AAS, relating to changes in the method of calculating pension fund liabilities, the impact of which will be spread over the years up to 2012, and to changes in the measurement criteria for some assets

Summary of Indicators

Analysis of the main indicators relating to CEMG's consolidated accounts, as at 30 June 2005 and 2006, allow us to draw the following conclusions:

- net Profit recorded growth of 53.4% from June 2005 to June 2006;
- return on average equity (ROE) was 4.75% at the end of June 2006;
- the solvency ratio was 11.3% while Tier 1 was 7.3%.

(Thousands of euros)

CONSOLIDATED INDICATORS	30-Jun-05	30-Jun-06
1. SIZE		
Net Assets	14.671.864	15.280.698
Change		4,15%
Equity (Share Capital, Reserves and Profit)	600.122	717.994
2. RATE OF RETURN AND EFFICIENCY		
Cash Flow for the Year	71.504	81.607
Profit for the Year	20.395	31.286
Profit for the Year / Average Net Assets (ROA)	n.a.	0,21%
Profit for the Year / Average Equity (ROE)	n.a.	4,75%
Banking Product / Average Net Assets	n.a.	1,21%
Cost to Income	61,17%	58,80%
3. CREDIT RISK		
Credit / Interest Due Ratio	n.a.	2,60%
Credit / Interest Due over 90 days Ratio	n.a.	2,35%
4. PRUDENCE RATIOS		
Solvency / Market Ratio	10,54%	11,33%
Basic Equity Adequacy Ratio (Tier 1)	6,53%	7,27%

* n.a. = not available

2. Summary of Operations of the Entities Comprising the Consolidation

Within the scope of the consolidation, the Montepio Geral Group, ended the first half of 2006 with consolidated net assets of 15,280.7 million euros, which accounts for a growth of 4% as compared to the end of the first half of 2005.

Change in Net Assets

(Thousands of euros)

Type of Asset	30-Jun-05		30-Jun-06		Change	
	Value	%	Value	%	Value	%
Client Credit	12.415.395	84,6	13.013.899	85,2	598.504	4,6
Cash and Financial Investments	1.979.018	13,5	1.991.934	13,0	12.916	0,6
Other Assets	277.451	1,9	274.865	1,8	-2.586	-0,9
TOTAL ASSETS	14.671.864	100,0	15.280.698	100,0	608.834	4,0

The asset structure did not undergo any significant changes. The weight of credit within total assets rose to 85.2% (+0.6 b.p.) and there was a slight fall in the weight of cash and financial investments, which now account for 13% of the asset structure (-0.5 b.p.).

As for the consolidated liabilities structure, external funds totalled 14,562.7 million euros and recorded 3.5% growth, while their weight within total liabilities and equity fell slightly to 95.3% (-0.6 b.p., as compared to the same period in the previous year).

Change in Liabilities and Equity

(Thousands of euros)

Type of Liability	30-Jun-05		30-Jun-06		Change	
	value	%	value	%	value	%
Clients Funds	7.779.526	53,0	7.996.074	52,3	216.548	2,8
Banking Institutions' Funds	706.601	4,8	973.355	6,4	266.754	37,8
Secured and Unsecured Loans and Debt Certificates	5.377.390	36,7	5.429.381	35,5	51.991	1,0
Other Liabilities	208.225	1,4	163.894	1,1	-44.331	-21,3
TOTAL EXTERNAL FUNDS	14.071.742	95,9	14.562.704	95,3	490.962	3,5
TOTAL EQUITY	600.122	4,1	717.994	4,7	117.872	19,6
TOTAL LIABILITIES AND EQUITY	14.671.864	100,0	15.280.698	100,0	608.834	4,1

Again Clients Funds were the largest share (52.3%) of Liabilities and Equity, although they have lost weight within the structure to the benefit of Banking Institutions' Funds, which at the end of the first half of 2006 had a 6.4% share (+1.6 b.p., as compared to the same period in the previous year). Securities representing loans recorded equivalent growth of 1% while their weight within the structure decreased to 35.5% (-1.2 b.p.).

Equity totalled 718 million euros (+19.6%, as compared to 30 June 2005) and accounted for 4.7% of Liabilities and Equity (+0.6 b.p.).

3. Profit, Efficiency and Rate of Return

The Consolidated Profit for the first half of 2006 was 31,286,000 euros, which was 10,891,000 euros (+53.4%) higher than the same period in the previous year (20,395,000 euros). A number of factors contributed to this favourable change, such as: the increase in business operations, in particular the amount of credit granted to clients, which led to an increase in the financial margin, the increase in operating income and the lower increase in administrative expenses.

Consolidated Income Statement by Functions

(Values expressed in thousands of euros)

	30-Jun-05		30-Jun-06		Change	
		%		%	Value	%
Interest and equivalent revenue	296.683		318.300		21.617	7,3
Interest and equivalent costs	159.365		170.795		11.430	7,2
Financial margin	137.318	81,4	147.505	81,4	10.187	7,4
Income from capital instruments	996	0,6	610	0,3	(386)	-38,8
Income from services and commissions	29.571	17,5	34.513	19,0	4.942	16,7
Services and commission charges	4.345	2,6	4.378	2,4	33	0,8
Profit on assets and liabilities valued at fair value against income statement	(1.334)	-0,8	(1.436)	-0,8	(102)	7,6
Profit on available-for-sale financial assets	277	0,2	(538)	-0,3	(815)	-294,6
Profit on currency revaluations	1.198	0,7	977	0,5	(221)	-18,4
Profit on sale of other assets	281	0,2	1.155	0,6	874	311,2
Other operating income	4.636	2,7	2.830	1,6	(1.806)	-38,9
Total operating income	31.280	18,6	33.733	18,6	2.453	7,8
Banking Product	168.598	100,0	181.238	100,0	12.640	7,5
Staff costs	62.962	37,3	65.215	36,0	2.253	3,6
Other administrative expenses	34.651	20,6	35.478	19,6	827	2,4
Depreciation for the year	5.511	3,3	5.878	3,2	367	6,7
Total operating costs	103.125	61,2	106.571	58,8	3.446	3,3
Provisions net of reversals	3.785	2,2	(97)	-0,1	(3.882)	-102,6
Credit imparity net of reversals and recoveries	42.041	24,9	43.390	23,9	1.349	3,2
Imparity of other financial assets net of reversals and recoveries	(228)	-0,1	-	0,0	228	-100,0
Imparity of other assets net of reversals and recoveries	-	0,0	1.149	0,6	1.149	
Operating Profit	19.876	11,8	30.225	16,7	10.349	52,1
Net Worth Profit	519	0,3	1.061	0,6	542	104,5
Consolidated Profit for the Year	20.395	12,1	31.286	17,3	10.891	53,4
<i>Cash-Flow</i>	71.504		81.607		10.103	14,1

Cash Flow for the year totalled 81,607,000 euros, a rise of 10,103,000 euros (+14.1%) as compared to the first half of the previous year.

The Group's operational **efficiency** also recorded a favourable change. The Cost to Income ratio (Operating Costs / Banking Product, in %) showed a positive change of -2.4 b.p., having fallen from 61.2% in June 2005 to 58.8% in June 2006.

The improvement in the Cost to Income is related, on the one hand, to the increase in Banking Product (+7.5%) and, on the other, to the drop in the weight of administrative expenses and depreciation in banking product (-2.4 b.p.).

Relative Efficiency

(Thousands of euros)

Item	30-Jun-05	30-Jun-06	Change	
			Absolute	Relative
Staff Costs / Banking Product	37,3%	36,0%	-1,3p.p.	-3,6%
General Administrative Expenses / Banking Product	20,6%	19,6%	-1,0p.p.	-4,8%
Depreciation / Banking Product	3,3%	3,2%	-0,1p.p.	-0,8%
Cost to Income	61,2%	58,8%	-2,4p.p.	-3,9%

The **Return** on Assets (ROA) and the Return on Average Equity (ROE) were 0.2% and 4.7%, respectively.

Rate of Return

(Thousands of euros)

Item	30-Jun-06
Profit / Average Net Assets (ROA)	0,2%
Profit / Average Equity (ROE)	4,7%
Banking Product / Average Net Assets	1,2%

4. Capitalization and Prudence Ratios

Consolidated Equity, consisting of Share Capital, Reserves and Profit for the Year, rose to 717,994,000 euros at the end of the first half of 2006. On the same date, Eligible Equity (Basic Equity + Supplementary Equity) totalled 1,103,851,000 euros. As a result the value of Eligible Equity exceeded Minimum Equity by 324,673,000 euros.

The Consolidated Solvency Ratio, as defined by the Bank of Portugal, was 11.33%, well above the minimum required by the Central Bank.

Equity and Consolidated Liquidity and Solvency Ratios

(thousands of euros)

INDICATORS	30-Jun-05	31-Dez-05	30-Jun-06	Change	
	value	value	value	value	%
1. Eligible Equity	1.038.955	1.010.927	1.103.851	64.896	6,2%
(+) Basic Equity	643.305	629.001	707.948	64.643	10,0%
(+) Supplementary Equity	403.174	397.902	403.526	352	0,1%
(-) Deductions	7.524	15.976	7.623	99	1,3%
2. Minimum Equity	788.306	753.365	779.178	-9.128	-1,2%
3. Ratios					
Solvency (limit BdP: 8%)	10,54%	10,74%	11,33%	0,79 p.p.	
Tier 1 (limit BdP: 4%)	6,53%	6,68%	7,27%	0,74 p.p.	
Fixed Assets (limit BdP: 100%)	14,17%	13,68%	10,89%	-3,28 p.p.	
Liquidity (BdP limit : 90%)	99,10%	98,80%	95,60%	-3,50 p.p.	

5. Consolidated Balance Sheet and Income Statement as at 30 June 2006

	2006			2005
	Gross Book Value	Imparity and Depreciation	Net Book Value	Previous Year
Assets				
Cash and central banks	182 540		182 540	207 707
Other credit institutions	137 414		137 414	129 688
Financial assets held for negotiation	15 458		15 458	17 610
Other financial assets at fair value through results	2 961		2 961	-
Financial assets available for sale	855 303		855 303	678 666
Applications in credit institutions	763 528	213	763 315	910 571
Client credit	13 400 788	386 889	13 013 899	12 415 395
Investments held until maturity	34 943		34 943	34 776
Cover derivatives	7 743		7 743	12 830
Non-current assets retained for sale	110 488	13 749	96 739	102 495
Other tangible assets	168 652	86 699	81 953	80 409
Intangible assets	23 703	15 853	7 850	5 551
Invest.in associate companies and subsidiaries not consolidated	16 443		16 443	17 935
Other assets	64 137		64 137	58 231
Total Assets	15 784 101	503 403	15 280 698	14 671 864
Liabilities				
Financial liabilities held for negotiation	30 750		30 750	15 266
Other credit institutions	973 355		973 355	706 601
Clients and other loans	7 996 074		7 996 074	7 779 526
Bond loans	5 118 596		5 118 596	5 066 741
Cover derivatives	6 254		6 254	1 627
Provisions	5 056		5 056	5 153
Other subordinated liabilities	310 785		310 785	310 649
Other liabilities	121 834		121 834	186 179
Total Liabilities	14 562 704		14 562 704	14 071 742
Shareholders equity				
Share capital	585 000		585 000	485 000
Revaluation reserves	6 845		6 845	7 652
Retained reserves and earnings	94 863		94 863	49 727
Profit for the year	31 286		31 286	57 743
Total Capital	717 994		717 994	600 122
Total Liabilities + Capital	15 280 698		15 280 698	14 671 864

Lisbon, 10 October 2006

The Accountant

Armindo Marques Matias

The Board of Directors

José da Silva Lopes - Chairman

Alberto José dos Santos Ramalheira

Ludovico Morgado Cândido

José de Almeida Serra

António Tomás Correia

Consolidated Income Statement as at 30 June 2006 and 2005

(Thousands of euros)

	2006	2005
Interest and similar income	318 300	296 683
Interest and similar charges	170 795	159 365
Financial Margin	147 505	137 318
Income from capital instruments	610	996
Income from services and commissions	34 513	29 571
Charges with services and commissions	4 378	4 345
Results for assets and liabilities assessed at fair value through results	- 1 436	- 1 334
Results of financial assets available for sale	- 538	277
Results of foreign exchange revaluation	977	1 198
Results of disposal of other assets	1 155	281
Other operating results	2 830	4 636
Trading product	181 238	168 598
Personnel costs	65 215	62 962
General administrative costs	35 478	34 651
Depreciation and amortization	5 878	5 511
Net annulments provisions	- 97	3 785
Credit impairment net of reversals and recoveries	43 390	42 041
Imparity of other financial assets net of reversals and recoveries		- 228
Imparity of other assets net of reversals and recoveries	1 149	
Profits from associate companies and joint ventures (net worth)	1 061	519
Consolidated profit for the year	31 286	20 395

Lisbon, 10 October 2006

Head of Accounting

Armindo Marques Matias

Board of Directors

José da Silva Lopes - Presidente
 Alberto José dos Santos Ramalheira
 Ludovico Morgado Cândido
 José de Almeida Serra
 António Tomás Correia

6. Notes to the Consolidated Financial Statements

Caixa Económica Montepio Geral

Interim Consolidated Financial Statements

30 June, 2006 and 2005

This Report is a translation to English of the Portuguese version.
In case of doubt, or misinterpretation the Portuguese version
will prevail.

FINANCIAL STATEMENTS

***- NOTES TO THE FINANCIAL STATEMENTS
(Pages 3 to 62)***

Caixa Económica Montepio Geral

Consolidated Statement of Income for the six month periods ended 30 June, 2006 and 2005

(Amounts expressed in thousands of Euros)

	Notes	30 June 2006	30 June 2005
Interest income	3	318,300	296,683
Interest expense	3	170,795	159,365
Net interest income		147,505	137,318
Dividends from equity instruments	4	610	996
Net fees and commission income	5	30,135	25,226
Net gains arising from trading and hedging activities	6	(624)	(313)
Net gains arising from available for sale financial assets	7	(538)	277
Other operating income	8	3,483	4,554
Total operating income		180,571	168,058
Staff costs	9	65,215	62,962
Other administrative costs	10	35,478	34,651
Depreciation	11	5,878	5,511
Operating costs		106,571	103,124
		74,000	64,934
Loans impairment	12	42,723	41,501
Other assets impairment	13	1,149	3,360
Other provisions	14	(97)	197
Operating profit		30,225	19,876
Share profit of associates under the equity method	15	1,061	519
Profit for the period		31,286	20,395

Caixa Económica Montepio Geral

Consolidated Balance Sheet as at 30 June, 2006 and 31 December, 2005

(Amounts expressed in thousands of Euros)

	Notes	30 June 2006	31 December 2005
Assets			
Cash and deposits at central banks	16	182,540	207,707
Loans and advances to credit institutions repayable on demand	17	137,414	129,688
Other loans and advances to credit institutions	18	763,315	910,571
Loans and advances to customers	19	13,013,899	12,415,395
Financial assets held for trading	20	2,480	17,610
Other financial assets at fair value through profit or loss	20	15,939	-
Financial assets available for sale	20	855,303	678,666
Hedging derivatives	21	15,912	29,153
Financial assets held to maturity	22	34,943	34,776
Investments in associated companies	23	16,443	17,935
Property and equipment	24	81,953	80,409
Intangible assets	25	7,850	5,551
Other assets	26	152,707	144,403
		<u>15,280,698</u>	<u>14,671,864</u>
Liabilities			
Deposits from other credit institutions	27	973,355	706,601
Deposits from customers	28	7,996,074	7,779,526
Debt securities issued	29	5,124,968	5,066,741
Financial liabilities held for trading and other financial liabilities at fair value through profit or loss	30	30,750	15,266
Hedging derivatives	21	8,823	3,847
Provisions	31	5,056	5,153
Subordinated debt	32	310,785	310,649
Other liabilities	33	112,893	183,959
Total Liabilities		<u>14,562,704</u>	<u>14,071,742</u>
Equity			
Share capital	34	585,000	485,000
Fair value reserves	36	(230)	(148)
Reserves and retained earnings	35 e 36	101,938	57,527
Profit for the period		31,286	57,743
Total Equity		<u>717,994</u>	<u>600,122</u>
		<u>15,280,698</u>	<u>14,671,864</u>

Obligations and future commitments (Note 37)

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Consolidated Statement of Cash Flows for the six month periods ended 30 June, 2006 and 2005

(Amounts expressed in thousand of Euros)

	30 June 2006	30 June 2005
<i>Cash flows arising from operating activities</i>		
Interest income received	318,300	296,683
Commission income received	34,513	29,571
Interest expense paid	(170,795)	(174,224)
Commission expense paid	(4,378)	(4,345)
Payments to employees and suppliers	(171,759)	(88,275)
Recovered loans which had been previously charged-off	667	540
Other payments and receivables	2,328	(14,419)
	<u>8,876</u>	<u>45,531</u>
<i>(Increase) / decrease in operating assets</i>		
Loans and advances to credit institutions and customers	(494,638)	(1,261,690)
Other debtors, prepayments and accrued income	(9,453)	15,565
	<u>(504,091)</u>	<u>(1,246,125)</u>
<i>(Increase) / decrease in operating liabilities</i>		
Deposits from customers	216,548	(28,390)
Deposits from credit institutions	266,754	(124,707)
	<u>483,302</u>	<u>(153,097)</u>
	<u>(11,913)</u>	<u>(1,353,691)</u>
<i>Cash flows arising from investing activities</i>		
Dividends received	610	996
(Acquisition) / sale of trading financial assets	15,130	(4,588)
(Acquisition) / sale of other financial assets at fair value through profit or loss	(15,939)	-
(Acquisition) / sale of available for sale financial assets	(176,719)	(182,727)
(Acquisition) / sale of hedging derivatives	18,217	(36,123)
(Acquisition) / sale of held to maturity financial assets	(167)	(34,880)
(Acquisition) / sale of shares in investments	818	(2,471)
Deposits owned with the purpose of monetary control	20,433	32,579
Proceeds from sale of fixed assets	-	171
Acquisition of fixed assets	(9,728)	(2,781)
	<u>(147,345)</u>	<u>(229,824)</u>
<i>Cash flows arising from financing activities</i>		
Dividends paid	(11,597)	(24,782)
Proceeds from issuance of share capital	100,000	40,000
Proceeds from issuance of subordinated debt	658,363	2,008,401
Reimbursement of subordinated debt	(600,000)	(314,976)
Increase / (decrease) in other (sundry) liabilities	15,484	3,242
	<u>162,250</u>	<u>1,711,885</u>
Net changes in cash and equivalents	2,992	128,370
Cash and equivalents balance at the beginning of the period	<u>185,204</u>	<u>97,284</u>
Cash (note 16)	55,516	50,711
Loans and advances to credit institutions repayable on demand (note 17)	<u>129,688</u>	<u>46,573</u>
Cash and equivalents balance at the end of the period	<u><u>188,196</u></u>	<u><u>225,654</u></u>

Caixa Económica Montepio Geral

Consolidated Statement of Changes in Equity for the six month periods ended 30 June, 2006 and 2005

(Amounts expressed in thousands of Euros)

	<u>Total equity</u>	<u>Share capital</u>	<u>General and special reserves</u>	<u>Other reserves</u>	<u>Fair value reserves</u>	<u>Retained earnings</u>
Balance on 31 December, 2004	533,308	445,000	166,181	4,415	-	(82,288)
Transfers to reserves						
General reserve	-	-	6,609	-	-	(6,609)
Special reserve	-	-	1,652	-	-	(1,652)
Increase in share capital	40,000	40,000	-	-	-	-
Dividends paid	(24,782)	-	-	-	-	(24,782)
IAS 32 and 39 adjustments	(5,921)	-	-	-	-	(5,921)
Fair value reserves	(529)	-	-	-	(529)	-
Profit for the period	20,395	-	-	-	-	20,395
Balance on 30 June, 2005	562,471	485,000	174,442	4,415	(529)	(100,857)
Fair value reserves	381	-	-	-	381	-
Equity method	(78)	-	-	(78)	-	-
Profit for the period	37,348	-	-	-	-	37,348
Balance on 31 December, 2005	600,122	485,000	174,442	4,337	(148)	(63,509)
Transfers to reserves						
General reserve	-	-	9,061	-	-	(9,061)
Special reserve	-	-	2,266	-	-	(2,266)
Increase in share capital	100,000	100,000	-	-	-	-
Dividends paid	(11,597)	-	-	-	-	(11,597)
Fair value reserves	(82)	-	-	-	(82)	-
Equity method	(1,735)	-	-	2,738	-	(4,473)
Profit for the period	31,286	-	-	-	-	31,286
Balance on 30 June, 2006	717,994	585,000	185,769	7,075	(230)	(59,620)

Caixa Económica Montepio Geral

Notes to the Interim Consolidated Financial Statements 30 June, 2006

1 Accounting policies

1.1 Basis of presentation

Caixa Económica Montepio Geral (“Caixa”) is a credit institution held by Montepio Geral – Associação Mutualista, established on 24 March, 1844, and authorised to operate in accordance with Decree-Laws no. 298/92 of 31 December, and no. 136/79 of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, Caixa is authorised to carry out banking operations in addition to those mentioned in its by-laws, if previously authorised by the Bank of Portugal. This fact conducts to the practice of banking operations in general.

The Directors approved these interim consolidated financial statements on 19 October 2006. The financial statements are presented in thousands of euros, rounded to the nearest thousand.

For all periods up to and including the year ended 31 December, 2004, Caixa prepared its consolidated financial statements in accordance with the generally accepted accounting principles in Portugal for the banking sector (“Local GAAP”). In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002, and its adoption into Portuguese Law through Decree-Law no. 35/2002, of 17 February and Regulation No. 1/2005 from the Bank of Portugal, Caixa’s consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union (“EU”) for the year ended 31 December 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 for the six months period ended 30 June 2006 have been prepared in accordance with the IFRS, effective and adopted for use in the EU until 30 June 2006, including the requirements defined by IAS 34. The financial statements for the six months period ended 30 June 2006 do not include all the information to be published on the annual financial statements.

The financial statements are prepared under the historical cost convention, as modified by the application of fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets, except those for which a reliable measure of fair value is not available. Recognised assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and liabilities are stated at the amortised or historical cost.

The accounting policies set out below have been applied consistently throughout Caixa entities and for all periods presented in these interim consolidated financial statements.

The preparation of the financial statements in conformity with IFRS requires the Management to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant are presented in note 1.20.

1.2 Basis of consolidation

Investments in subsidiaries

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

When the accumulated losses of a subsidiary attributable to the minority interest exceed the equity of the subsidiary attributable to the minority interest, the excess is attributed to Caixa and charged to the income statement as it occurs. Profits subsequently reported by the subsidiary are recognised as profits of Caixa until the prior losses attributable to minority interest previously recognised by Caixa have been recovered.

Associates

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

The existence of significant influence by Caixa 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 Caixa and the investee;
- interchange of managerial personnel;
- provision of essential technical information.

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

Special Purpose Entities (“SPE”)

Caixa fully consolidates certain SPE’s when the substance of the relation with those entities indicates that Caixa exercises control over its activities, independently of the percentage of the equity held.

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

- The activities of the SPE, in substance, are being conducted on behalf of Caixa, in accordance with the specific needs of Caixa’s business, so as to obtain benefits from these activities;
- Caixa has the decision-making powers to obtain the majority of the benefits of the activities of the SPE;
- Caixa in substance has the right to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or
- Caixa in substance retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Transactions eliminated on consolidation

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

1.3 Loans and advances to customers

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

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

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

Impairment

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

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

According to IAS 39, there are two methods for losses impairment calculation: (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, Caixa 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:

- Caixa aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customers' 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 clients rating;
- the assets available on liquidation or bankruptcy;
- the ranking of all creditor 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 and the amount of any loss is charged in the income statement. The carrying amount of impaired loans is reduced through the use of an allowance account. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

The present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from the foreclosure less costs for obtaining and selling the collateral.

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

ii) Collective assessment

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

- for homogeneous groups of loans that are not considered individually significant; or
- in respect of losses which have been incurred but have not yet been identified ("IBNR") on loans subject to individual assessment for impairment (see section(i)).

The collective impairment loss is determined considering the following factors:

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

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

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

1.4 Financial instruments

i) Classification

Trading financial instruments are those that Caixa principally holds for the purpose of short-term profit taking, with changes in fair value recognised against earnings and includes derivative contracts that are not designated as hedging instruments or at first recognition designated fair value through profit and loss.

Changes in the fair value of such instruments are recorded in the income statement. All trading derivatives with positive fair value are reported as trading assets and negative fair value as trading liabilities.

Held to maturity financial instruments are non-derivative financial assets with fixed payments or available and defined maturity, which Caixa has the purpose of being held to maturity.

Available-for-sale financial assets are non derivative financial assets that are not classified as held to maturity investments or financial assets at fair value through profit or loss. Available-for-sale instruments include equity and debt instruments.

Other financial liabilities comprise all financial liabilities not classified as financial liabilities at fair value with changes through the income statement. Other financial liabilities include, among others, money market funding, deposits from credit institutions and customers and issued debt.

ii) Recognition date

Financial assets and financial liabilities are recognised using trade date accounting.

iii) Trading assets and trading liabilities

Treasury bills, debt securities, equity shares, derivatives not accounted for as hedging instruments and short positions in securities which have been acquired or incurred principally for the purpose of selling or repurchasing in the near term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking are classified as held-for-trading. Such financial assets or financial liabilities are recognised initially at fair value, with transaction costs or profits taken to the income statement, and are subsequently remeasured at fair value. All subsequent gains and losses from changes in the fair value of these assets and liabilities, accrued interests and dividends received are recognised in the income statement within "Net gains arising from trading and hedging activities" as they arise.

iv) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs and profits are directly recognised in the income statement, and are subsequently remeasured at fair value. All subsequent gains and losses from changes in the fair value of these assets and liabilities, accrued interests and dividends received are recognised in the income statement within "Net gains arising from trading and hedging activities" as they arise.

v) Available for sale assets

Treasury bills, debt securities and equity shares intended to be held on a continuing basis are classified as available-for-sale assets unless designated at fair value through profit and loss or classified as held-to-maturity. Available for sale assets are initially measured at fair value plus direct and incremental transaction costs or profits. For debt securities transactions, costs are amortised to profit and loss using the effective interest method. Available-for-sale assets are subsequently remeasured at fair value. Changes in fair value are recognised in equity until the securities are either sold or impaired. On the sale of available for sale assets, cumulative gains or losses previously recognised in equity are recognised through the income statement and classified as “Net gains arising from available for sale financial assets”. Interest income is recognised on such securities using the effective interest method, calculated over the asset’s expected life. Where dated investment securities have been purchased at a premium or discount, these premiums and discounts are included in the calculation of the effective interest rate. Dividends are recognised in the income statement when the right to receive payment has been established.

An assessment is made at each balance sheet date as to whether there is any objective evidence of impairment, namely circumstances where an adverse impact on estimated future cash flows of the financial asset or group of assets can be reliably estimated.

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 income statement) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and that increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement. The impairment losses recognised in equity instruments classified as available for sale, when reverted, are recognized against reserves.

vi) Held to maturity investments

Held to maturity investments are recognised at amortised cost, using interest effective method less impairment losses.

1.5 Derivatives hedge accounting

i) Hedge accounting

Caixa uses derivative financial instruments to hedge its exposure to currency and interest rate risks, resulting from financing and investment activities. However, derivatives not qualified for hedging are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on remeasurement are recognised in accordance with the hedging accounting model adopted by Caixa. A hedging 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 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 net profit or loss.

When a derivative financial instrument is used to hedge exchange fluctuations arising from monetary assets or liabilities items, no hedge accounting model is applied and any gain or loss associated to the derivative or exchange difference associated with the monetary item is recognised through income.

ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement, together with changes in the fair value of the asset or liability or group thereof that are attributable to the hedged risk. If the hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the residual period to maturity.

iii) Hedge effectiveness

For each hedging relationship in order to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such Caixa performs prospective tests at inception date and retrospective tests in order to demonstrate in each reporting period the effectiveness, showing that the changes in the fair value of the hedging instrument are neutralised by the changes in the hedged item for the risk covered.

Any ineffectiveness is recognised immediately in the statement of income. When a hedge relationship is outside of a range of 80 per cent to 125 percent effectiveness, hedge accounting is discontinued.

iv) Embedded derivatives

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

1.6 Reclassifications between financial instruments categories

Reclassification of the portfolio of financial assets and liabilities into or out of the fair value through profit and loss category is prohibited.

1.7 Derecognition

Caixa derecognises financial assets when all rights to future cash flows have expired or the assets are transferred. In the event of a transferral of assets, derecognition can only occur either when risks and rewards have substantially been transferred or Caixa has not retained control of the assets.

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

1.8 Repurchase agreements

Caixa's investments purchases (sales) with investments resale (repurchase) agreements are substantially identical in a future date at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised on the balance sheet. The amounts paid are recognised in loans to either banks or customers. The receivable amounts are hedged by the associated securities. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest.

1.9 Finance lease transactions

Caixa classifies its lease agreements as finance leases or operating leases taking into consideration the substance of the transaction rather than its legal form, in accordance with IAS 17 – Leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Payments made under operating leases are charged to the income statement in the period to which they relate.

Finance leases

- As lessee

Finance lease contracts are recorded at inception date, both under assets and liabilities, at the cost of the asset leased, which is equal to the present value of outstanding lease instalments. Instalments comprise (i) an interest charge, which is recognised in the income statement and (ii) the amortisation of principal, which is deducted from liabilities. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of liability for each period.

- As lessor

Assets leased out are recorded in the balance sheet as loans granted, for an amount equal to the net investment made in the leased assets.

Interest included in instalments charged to customers is recorded as interest income, while amortisation of principal, also included in the instalments, is deducted from the amount of the loans granted. The recognition of the interest reflects a constant periodic rate of return on the lessor's net outstanding investment.

1.10 Interest income and expense

Interest income and expense for all instruments measured at amortised cost are recognised in the income statement using the effective interest method.

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

When calculating the effective interest rate, Caixa estimates future cash flows considering all contractual terms of the financial instrument but without considering future impairment losses. The calculation includes all fees considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction.

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

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component of the changes in the fair value is not separated out and is classified under net losses/gains arising from financial assets. For hedging derivatives of interest rate risk, the interest component of the changes in their fair value is recognised under interest and similar income or interest expense and similar charges.

1.11 Fee and commission income

Fees and commissions are recognised according to the following criteria:

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

1.12 Property and equipment

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

Caixa performs impairment testing whenever events or circumstances show that the book value exceeds the recoverable amount. The difference between the book value and recoverable amount is charged to the profit and loss.

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

	<u>Number of years</u>
Buildings	50
Works in rented buildings	10
Equipment	4 to 10

1.13 Intangible assets

Software

Software acquisition costs are capitalised and amortised over a three year period, as well as implementation costs.

Maintenance costs are recognised as costs when occurred.

Research and development expenditure

Caixa has not incurred in research costs.

1.14 Assets arising out of recovered loans

Assets arising out of recovered loans include buildings and securities arising from the settlement of loan contracts. These assets are reported under “Other assets” and are initially recognised at the recovered loan value.

Subsequent measurement is at the lower of its carrying amount and its corresponding fair value less estimated sale costs. No depreciation is provided in respect of those assets. Any subsequent write-down of the acquired asset to fair value is recorded as an impairment loss and included in the income statement.

Fair value is based on the market value, being determined based on the expectable selling price estimated through regular valuations performed by Caixa.

1.15 Cash and cash equivalents

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

Cash and cash equivalents exclude restricted balances with central banks.

1.16 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the values were determined.

1.17 Employee benefits

Defined benefit plans

Caixa assumed the responsibility to pay its employees pensions on retirement or disabilities, as established in the terms of "Acordo Colectivo de Trabalho Vertical do Sector Bancário (ACTV)".

The pension plan benefits is in accordance with the "Plano ACTV - Acordo Colectivo de Trabalho Vertical do Sector Bancário" and the "Plano ACTQ - Acordo Colectivo dos Quadros do Sector Bancário".

Caixa's pension obligations are financed by a fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

The net obligation in respect of pension plans (defined benefit pension plans) is calculated on an annually, at each balance sheet date.

As described in the accounting policy presented in note 1.1, and in accordance with IFRS 1, Caixa elected at the transition date, 1 January 2004, for the recognition at equity of all actuarial gains and losses, accounted as assets in accordance with prior accounting principles ("reset method").

The actuarial calculation is made using the projected unit credit method and following actuarial and financial assumptions, in line with parameters required IAS 19 requirements.

The current service costs and any past service costs together with the expected return on plan assets less the unwinding of the discount on the plan liabilities are charged to operating costs.

Caixa'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, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on AAA credit rated bonds that have maturity dates approximating the terms of Caixa's obligations.

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

Under the corridor method, actuarial gains and losses not recognised, exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, are recognised in the income statement over a period of 25 years, corresponding to the expected remaining working life of the employees participating in the plan.

The funding policy of the Plan is to make annual contributions by Caixa to cover the projected benefits obligations, including the no contractual projected benefits. The minimum level required is 100% regarding the liability with pensioners and 95% regarding the employees in service.

1.18 Income tax

According to the No. 1 a) of Article 10th, of IRC Legislation, Caixa is exempt from income tax payment (Imposto sobre o Rendimento das Pessoas Colectivas – IRC). This exemption was recognised by a regulation issued by the Ministerial Secretary of Fiscal Affairs dated 3 December 1993, and confirmed by the Law No. 10-B/96 from 23 March, which approved the public budget for the year of 1996.

1.19 Segmental reporting

A business segment is a distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of Caixa that is engaged in providing a product or service or a group of related products or services within a particular economic environment and that are subject to risks and returns that are different from those which operates in other economic environments.

Given the nature of its activity and clients, Caixa is focused under one business segment.

1.20 Provisions

Provisions are recognised when (i) Caixa has a present legal or constructive obligation, (ii) it is probable that its payment will be required and (iii) a reliable estimate can be made of the amount of the obligation.

1.21 Critical accounting estimates and judgements in applying accounting policies

IFRS set forth range of accounting treatments and require the 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 Caixa reported results and related disclosure.

Because in many cases there are several alternatives to the accounting treatment chosen by the Management, Caixa's reported results would differ if a different treatment were chosen. Management believes that the choices made by it are appropriate and that the financial statements present Caixa's financial position and results fairly in all material respects.

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

Impairment of available for sale equity investments

Caixa determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, Caixa evaluates among other factors, the normal volatility in share price.

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

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

Fair value of derivatives

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

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

Impairment losses on loans and advances

Caixa reviews its loan portfolios to assess impairment on a regularly basis, as described in note 1.3.

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

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

Securitisations and special purpose entities (SPE)

Caixa sponsors the formation of special purpose entities (SPE) primarily for asset securitisation transactions and for liquidity purposes.

Caixa does not consolidate SPE that it does not control. As it can sometimes be difficult to determine whether Caixa does control an SPE, it makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question.

The determination of the SPE that needs to be consolidated by Caixa requires the use of estimates and assumptions in determining the respective expected residual gains and losses and which party retains the majority of such residual gains and losses. Different estimates and assumptions could lead Caixa to a different scope of consolidation with a direct impact in net income.

Held to maturity investments

Caixa 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 judgement.

In making this judgement, Caixa evaluates its intention and ability to hold such investments to maturity. If Caixa fails to keep these investments to maturity other than for 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 not amortised cost.

The use of different assumptions and estimates would result in the determination of the fair value of this portfolio with a corresponding entry in the fair value reserve in equity.

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.

2 Net interest income and net gains arising from trading and hedging activities

Accounting standards require separate disclosure of net interest income and net gains arising from trading, hedging and AFS activities as presented in notes 3, 6 and 7. This required disclosure, however, does not take into account that net interest and trading income are generated by a range of different business activities. In many cases, a particular business activity can generate both net interest and trading income.

These balances are analysed as follows:

	Jun 2006 Euros '000	Jun 2005 Euros '000
Net interest income	147,505	137,318
Net gains arising from trading and hedging activities	(1,162)	(36)
	<u>146,343</u>	<u>137,282</u>

3 Net interest income

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
<i>Interest income:</i>		
Interest on loans and advances	259,710	230,564
Interest on other assets	13,894	11,575
Interest on deposits	1,797	1,486
Interest on available for sale securities	17,280	6,925
Interest on held to maturity securities	703	567
Interest on hedging derivatives	15,861	42,886
Interest on financial instruments at fair value through profit or loss	7	-
Other interest and income	9,048	2,680
	<u>318,300</u>	<u>296,683</u>
<i>Interest expense:</i>		
Interest on deposits	73,056	63,893
Interest on securities issued	73,383	55,339
Interest on loans	7,414	6,457
Interest on other funding	4,052	2,251
Interest on hedging derivatives	11,431	31,423
Other interest and expense	1,459	2
	<u>170,795</u>	<u>159,365</u>
Net interest income	<u>147,505</u>	<u>137,318</u>

4 Dividends from equity instruments

This caption in the amount of Euros 610,000 (2005: Euros 996,000) is related to income from investments.

5 Net fees and commission income

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
<i>Fees and commission income:</i>		
From banking services	21,328	18,820
From guarantees	2,427	2,336
From securities operations	-	399
From commitments to third parties	5,660	3,656
From other services	5,098	4,360
	<u>34,513</u>	<u>29,571</u>
<i>Fees and commission expenses:</i>		
From banking services	3,975	3,325
From securities operations	147	140
From other services	256	880
	<u>4,378</u>	<u>4,345</u>
Net fees and commission income	<u><u>30,135</u></u>	<u><u>25,226</u></u>

6 Net gains arising from trading and hedging activities

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
<i>Gains arising from trading and hedging activities:</i>		
Hedging derivatives	14,595	25,901
Financial instruments at fair value through profit or loss	37,268	-
Foreign exchange activity	3,742	3,303
Financial instruments held for trading	17,105	346
Financial instruments held to maturity	1	59
	<u>72,711</u>	<u>29,609</u>
<i>Losses arising from trading and hedging activities:</i>		
Hedging derivatives	13,736	9,167
Financial instruments at fair value through profit or loss	38,487	17,869
Foreign exchange activity	2,765	2,105
Financial instruments held for trading	18,181	545
Financial instruments held to maturity	166	236
	<u>73,335</u>	<u>29,922</u>
Net gains arising from trading and hedging activities	<u>(624)</u>	<u>(313)</u>

7 Net gains arising from available for sale financial assets

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
<i>Gains arising from available for sale financial assets:</i>		
Bonds and other fixed income securities:		
Issued by Public entities	-	233
Issued by other entities	97	58
	<u>97</u>	<u>291</u>
<i>Losses arising from available for sale financial assets:</i>		
Bonds and other fixed income securities:		
Issued by Public entities	1	1
Issued by other entities	634	13
	<u>635</u>	<u>14</u>
Net gains arising from available for sale financial assets	<u>(538)</u>	<u>277</u>

8 Other operating income

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
<i>Other operating income:</i>		
Income from services	1,495	1,163
Reimbursement of expenses	1,119	1,416
Profits arising from deposits on demand management	2,461	1,768
Gains from the sale of investments	-	313
Gains from the sale of investments arising from recovered loans	1,962	1,407
Gains on sale of fixed assets	-	21
Other operating income	953	2,284
	<hr/> 7,990	<hr/> 8,372
<i>Other operating expenses:</i>		
Indirect taxes	62	176
Donations and quotizations	112	57
Losses from the sale of investments arising from of recovered loans	642	1,171
Losses from the sale of fixed assets	-	79
Contributions to the Deposit Guarantee Fund	801	800
Other operating income	2,890	1,535
	<hr/> 4,507	<hr/> 3,818
Other net operating income	<hr/> 3,483	<hr/> 4,554

9 Staff costs

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
Remunerations	46,908	46,014
Mandatory social security charges	16,963	16,343
Other staff costs	1,344	605
	<u>65,215</u>	<u>62,962</u>

As referred in note 39 the caption Remunerations includes as at 30 June 2006, the amount of Euros 10,125,000 (30 June 2005: Euros 11,370,000) related to the pension cost during the period.

As at 30 June 2006, the remunerations attributable to the Board of Directors and Audit Committee amount to Euros 638,000 (2005: Euros 1,043,000) referring to fixed remunerations.

10 Other administrative costs

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
Rents	9,725	9,784
Specialised services		
Information technology services	1,663	1,576
Outsourcing	322	544
Other specialised services	7,784	5,483
Advertising	4,386	6,271
Communications	3,612	3,244
Water, electricity and fuel	1,669	1,645
Maintenance and related services	1,316	1,354
Transports	1,231	1,100
Insurance	1,085	955
Travel, hotel and representation costs	794	667
Consumables	568	531
Training costs	410	618
Other supplies and services	913	879
	<u>35,478</u>	<u>34,651</u>

11 Depreciation

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
<i>Intangible assets:</i>		
Software	1,729	1,338
<i>Property and equipment:</i>		
Land and buildings	1,894	2,003
Equipment:		
Furniture	317	366
Office equipment	84	102
Computer equipment	900	669
Interior installations	850	885
Motor vehicles	36	56
Security equipment	68	92
	<u>4,149</u>	<u>4,173</u>
	<u><u>5,878</u></u>	<u><u>5,511</u></u>

12 Loans impairment

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
Loans and advances		
to credit institutions		
Impairment for the period	67	385
Write-back for the period	(789)	(179)
	<u>(722)</u>	<u>206</u>
Loans and advances		
to customers		
Impairment for the period	127,276	94,587
Write-back for the period	(83,164)	(52,752)
Recovery of loans previously charged-off	(667)	(540)
	<u>43,445</u>	<u>41,295</u>
	<u><u>42,723</u></u>	<u><u>41,501</u></u>

13 Other assets impairment

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
Impairment for investments arising from recovered loans		
Impairment for the period	1,644	4,545
Write-back for the period	(495)	(957)
	<u>1,149</u>	<u>3,588</u>
Impairment for securities:		
Impairment for the period	-	475
Write-back for the period	-	(703)
	<u>-</u>	<u>(228)</u>
	<u><u>1,149</u></u>	<u><u>3,360</u></u>

14 Other provisions

The amount of this account is comprised of:

	Jun 2006 Euros '000	Jun 2005 Euros '000
Provision for liabilities and charges:		
Charge for the period	-	1,170
Write-back for the period	(97)	(973)
	<u>(97)</u>	<u>197</u>

15 Share of profit of associates under the equity method

The contribution of the associated companies accounted for under the equity method to Caixa's profit is as follows:

	Jun 2006 Euros '000	Jun 2005 Euros '000
Lusitania, Companhia de Seguros, S.A.	882	441
Lusitania Vida, Companhia de Seguros, S.A.	235	267
Norfin - Soc. Gestora de Fundos Invest. Imob., S.A.	69	54
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	(125)	(243)
	<u>1,061</u>	<u>519</u>

16 Cash and deposits at central banks

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Cash	50,782	55,516
Bank of Portugal	131,758	152,191
	<u>182,540</u>	<u>207,707</u>

The balance Bank of Portugal includes deposits to satisfy the legal requirements to maintain a cash reserve for which the value is based on the value of deposits and other liabilities.

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

17 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Credit institutions in Portugal	27,038	35,309
Credit institutions abroad	7,363	7,450
Amounts due for collection	103,013	86,929
	<u>137,414</u>	<u>129,688</u>

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

18 Other loans and advances to credit institutions

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Inter-bank Money Market	10,000	-
Credit institutions in Portugal	8,547	30,506
Credit institutions abroad	744,981	881,000
	<u>763,528</u>	<u>911,506</u>
Impairment for other loans and advances to credit institutions	<u>(213)</u>	<u>(935)</u>
	<u><u>763,315</u></u>	<u><u>910,571</u></u>

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

	Jun 2006 Euros '000	Dec 2005 Euros '000
Up to 3 months	758,123	886,539
3 months to 6 months	-	16,962
6 months to 1 year	4,701	7,291
1 year to 5 years	-	-
More than 5 years	589	590
Undetermined	115	124
	<u>763,528</u>	<u>911,506</u>

Impairment for other loans and advances to credit institutions is analysed as follows:

	Jun 2006 Euros '000	Jun 2005 Euros '000
<i>Impairment for other loans and advances to credit institutions:</i>		
Balance on 1 January	935	218
Impairment for the period	67	385
Write-back for the period	<u>(789)</u>	<u>(179)</u>
Balance on 30 June	<u><u>213</u></u>	<u><u>424</u></u>

19 Loans and advances to customers

This balance is analysed as follows:

	Jun 2006 Euros '000	Dez 2005 Euros '000
Asset-backed loans	11,676,753	11,170,990
Other guaranteed loans	978,166	935,620
Unsecured loans	323,321	273,126
Public sector	57,424	58,805
Foreign loans	92	506
Finance leases	16,892	14,674
	<u>13,052,648</u>	<u>12,453,721</u>
Overdue loans - less than 90 days	33,105	27,504
Overdue loans - more than 90 days	315,035	303,986
	<u>348,140</u>	<u>331,490</u>
	13,400,788	12,785,211
Impairment for credit risk	<u>(386,889)</u>	<u>(369,816)</u>
	<u><u>13,013,899</u></u>	<u><u>12,415,395</u></u>

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

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Residents:</i>		
Short term		
Discounted bills	124,924	120,743
Current account credits	675,337	607,821
Overdrafts	21,507	22,881
Loans	899,349	61,104
	1,721,117	812,549
Medium and long term		
Real estate loans		
Mortgage	8,727,499	7,949,713
Construction	2,061,609	2,035,537
Finance leases	16,892	14,674
Other loans	525,439	1,640,742
	11,331,439	11,640,666
<i>Non-Residents:</i>		
Short term	92	506
	13,052,648	12,453,721
<i>Overdue loans:</i>		
Less than 90 days	33,105	27,504
More than 90 days	315,035	303,986
	348,140	331,490
	13,400,788	12,785,211
Impairment for credit risk	(386,889)	(369,816)
	13,013,899	12,415,395

The balance Overdue loans includes only the amount which were effectively overdue and does not include the related non-overdue amounts, which as at 30 June, 2006, amount to Euros 1,178,000 (2005: Euros 1,051,000).

The balance Overdue loans for more than 90 days includes the amount of Euros 6,991,000 (2005: Euros 6,813,000) related to loans bought at court auctions. These amounts correspond to loans overdue for more than three years for which the contractual obligation with the former debtor has been extinguished due to the acquisition in court auction bankruptcy or acquisition through foresale but for which there are still pending legal actions.

Loans and advances to customers include only the amount of variable interest rate contracts.

The analysis of Loans and advances to customers, by maturity date and type of credit as at 30 June, 2006, is as follows:

	Loans				Total Euros '000
	Up to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined maturity Euros '000	
Asset-backed loans	225,101	2,125,611	9,330,848	263,225	11,944,785
Other guarantee loans	579,591	245,355	148,409	72,085	1,045,440
Unsecured loans	139,660	106,578	77,087	12,475	335,800
Public sector	52	1,045	56,327	-	57,424
Foreign loans	92	-	-	-	92
Finance leases	-	14,901	1,991	355	17,247
	<u>944,496</u>	<u>2,493,490</u>	<u>9,614,662</u>	<u>348,140</u>	<u>13,400,788</u>

The balance Loans and advances to customers includes the amounts of securitised loans related with traditional securitisations held by SPV's and consolidated in accordance with SIC 12, as referred in the accounting policy described in note 1.2. As at 30 June, 2006, these loans amount to Euros 905,405,000 (2005: Euros 987,488,000), and are analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Pelican Mortgages No. 1	360,517	413,817
Pelican Mortgages No. 2	544,888	573,671
	<u>905,405</u>	<u>987,488</u>

Caixa engages in mortgage loans securitisation operations. For this purpose, traditional securitisations and synthetic securitisations are used through specifically created Special Purpose Entities (SPE's). As referred in note 1.2, when the substance of the relationships with the SPE's indicates that Caixa holds control of the activities, the SPE's are fully consolidated.

As at 30 June, 2006, there are two securitisation operations between Caixa and other financial institutions which are presented in the following paragraphs.

As at 19 December, 2002, Caixa Económica Montepio Geral has settled a securitisation operation with a Special Purpose Vehicle (“SPV”) – Pelican Mortgages No. 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euros 650,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.016% of the referred nominal value.

As at 29 September, 2003, Caixa Económica Montepio Geral has settled a securitisation operation with a Special Purpose Vehicle (“SPV”) – Pelican Mortgages No. 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euros 700,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0286% of the referred nominal value.

Caixa Económica Montepio Geral is the operation service, acting as collector of the credits sold. The received values are transferred to Pelican Mortgages No.1 PLC and to Pelican Mortgages No. 2 PLC.

As at 30 June, 2006, the securitisation operations, are presented as follows:

<u>Issue</u>	<u>Settlement date</u>	<u>Currency</u>	<u>Assets transferred</u>	<u>Amount</u>
Pelican Mortgages No. 1	December 2002	Euros	Mortgage credit	650,000,000
Pelican Mortgages No. 2	September 2003	Euros	Mortgage credit	700,000,000
				<u>1,350,000,000</u>

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

	<u>Jun 2006</u> <u>Euros '000</u>	<u>Dec 2005</u> <u>Euros '000</u>
Asset-backed loans	263,225	262,331
Other guaranteed loans	72,085	60,359
Unsecured loans	12,475	8,482
Finance leases	355	318
	<u>348,140</u>	<u>331,490</u>

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

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Corporate:</i>		
Construction	86,116	72,292
Investment	48,720	39,878
Other short term loans	38,371	28,946
Other loans	587	506
<i>Private:</i>		
Mortgage loans	116,794	128,558
Consumer credit	7,960	10,682
Other loans	49,398	50,528
<i>Public sector</i>		
	194	100
	<u>348,140</u>	<u>331,490</u>

The impairment for credit risk is analysed as follows:

	Jun 2006 Euros '000	Jun 2005 Euros '000
<i>Impairment for credit risk:</i>		
Balance on 1 January	369,816	337,024
Impairment for the year	127,276	94,587
Write-back for the year	(83,164)	(52,752)
Loans charged-off	(27,039)	(23,920)
Balance on 30 June	<u>386,889</u>	<u>354,939</u>

In compliance with Caixa's policy, interest on overdue loans for a period over 30 days not covered by asset-backed guarantees, is only recorded as income when received.

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

	Jun 2006 Euros '000	Dec 2005 Euros '000
Asset-backed loans	341,374	334,795
Other guaranteed loans	34,355	26,850
Unsecured loans	11,160	8,171
	<u>386,889</u>	<u>369,816</u>

The loans charge-off is performed during the first semester of 2006 and is related with the impairment for credit risk.

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

	Jun 2006 Euros '000	Jun 2005 Euros '000
Asset-backed loans	19,734	11,017
Other guaranteed loans	4,337	1,005
Unsecured loans	2,968	11,898
	<u>27,039</u>	<u>23,920</u>

The recovered loans and overdue interest, performed during the period of six months ended 30, June, 2006 and 2005 related with asset-backed loans recovered, amounts to Euros 667,000 (31 December, 2005: Euros 985,000).

20 Financial assets held for trading, at fair value through profit or loss and available for sale

This balance is analysed as follows:

	Jun 2006 Euros '000	Dez 2005 Euros '000
<i>Financial assets held for trading:</i>		
Shares	17	-
Derivatives	2,463	17,610
	2,480	17,610
 <i>Other financial assets at fair value through profit or loss:</i>		
Options	501	-
Bonds	2,961	-
Derivatives	12,477	-
	15,939	-
 <i>Financial assets available for sale:</i>		
Bonds and other fixed income securities:		
Issued by Government and public entities	65	68
Issued by other entities	831,155	654,476
	831,220	654,544
Overdue securities	998	998
Impairment for overdue securities	(998)	(998)
	-	-
Shares and other variable income securities	24,334	24,373
Impairment for shares	(251)	(251)
	24,083	24,122
	855,303	678,666

As referred in the accounting policy presented in note 1.4, the available for sale securities are presented at market value with fair value changes accounted for in fair value reserves, as referred in note 36.

The analysis of financial assets held for trading, at fair value through profit or loss and available for sale, by type of financial instrument, is as follows:

	Jun 2006				Dec 2005		
	Securities				Securities		
	At fair value through profit or loss Euros '000	Trading Euros '000	Available for sale Euros '000	Total Euros '000	Trading Euros '000	Available for sale Euros '000	Total Euros '000
Derivatives	12,477	2,463	-	14,940	17,610	-	17,610
Options	501	-	-	501	17,610	-	17,610
<i>Fixed income:</i>							
Bonds issued by Portuguese Government and public entities	-	-	65	65	-	68	68
Bonds issued by other entities:							
Portuguese issuers	-	-	26,009	26,009	-	34,889	34,889
Foreign issuers	2,961	-	790,713	793,674	-	583,705	583,705
Commercial paper	-	-	15,431	15,431	-	36,880	36,880
	15,939	2,463	832,218	850,620	-	655,542	655,542
Quoted	2,961	-	728,229	731,190	-	526,901	526,901
Unquoted	-	-	103,989	103,989	-	128,641	128,641
<i>Variable income:</i>							
Shares in companies							
Portuguese	-	17	7,510	7,527	-	12,087	12,087
Foreign	-	-	4,577	4,577	-	-	-
Investment fund units	-	-	12,247	12,247	-	12,286	12,286
	-	17	24,334	24,351	-	24,373	24,373
Quoted	-	17	5,830	5,847	-	5,764	5,764
Unquoted	-	-	18,504	18,504	-	18,609	18,609
Impairment for overdue securities	-	-	(998)	(998)	-	(998)	(998)
Impairment for securities	-	-	(251)	(251)	-	(251)	(251)
	-	-	(1,249)	(1,249)	-	(1,249)	(1,249)
	15,939	2,480	855,303	873,722	17,610	678,666	696,276

The trading portfolio is stated at market value.

As referred in the accounting policy presented in note 1.4, the available for sale securities are presented net of fair value reserve and impairment losses in the amount of Euros 230,000 and Euros 1,249,000 (31 December, 2005: Euros 148,000 e Euros 1,249,000), respectively.

The balance Bonds issued by other Portuguese issuers includes the amount of Euros 5,594,000 (31 December, 2005: Euros 14,090,000) related to subordinated securities.

The portfolio of securities, namely trading securities at fair value through profit or loss and available for sale securities, by maturity date as at 30 June 2006, is as follows:

	Due within 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Undetermined maturity Euros '000	Total Euros '000
Derivatives	37	-	14,903	-	14,940
Options	-	341	160	-	501
<i>Fixed income:</i>					
Bonds issued by Portuguese Government and Public entities	-	-	60	5	65
Bonds issued by other entities:					
Portuguese issuers	-	5,658	20,351	-	26,009
Foreign issuers	-	21,005	754,512	18,157	793,674
Commercial paper	14,433	-	-	998	15,431
	14,433	26,663	774,923	19,160	835,179
Quoted	-	26,663	677,515	18,162	722,340
Unquoted	14,433	-	97,408	998	112,839
<i>Variable income:</i>					
Shares in companies					
Portuguese	-	17	-	7,510	7,527
Foreign	-	-	-	4,577	4,577
Investment fund units	-	-	-	12,247	12,247
	-	17	-	24,334	24,351
Quoted	-	17	-	5,830	5,847
Unquoted	-	-	-	18,504	18,504
Impairment for securities	-	-	-	(1,249)	(1,249)
	14,470	27,021	789,986	42,245	873,722

The analysis of the securities portfolio, namely trading securities at fair value through profit or loss and available for sale securities, by maturity date as at 31 December 2005, is as follows:

	Due within 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Undetermined maturity Euros '000	Total Euros '000
Derivatives	9	1	17,600	-	17,610
<i>Fixed income:</i>					
Bonds issued by Portuguese Government and Public entities	-	-	63	5	68
Bonds issued by other entities:					
Portuguese issuers	-	8,496	26,393	-	34,889
Foreign issuers	-	1,004	577,669	5,032	583,705
Commercial paper	35,882	-	-	998	36,880
	<u>35,882</u>	<u>9,500</u>	<u>604,125</u>	<u>6,035</u>	<u>655,542</u>
Quoted	-	-	524,873	2,028	526,901
Unquoted	35,882	9,500	79,252	4,007	128,641
<i>Variable income:</i>					
Shares in companies				12,087	12,087
Investment fund units				12,286	12,286
				<u>24,373</u>	<u>24,373</u>
Quoted				5,764	5,764
Unquoted				18,609	18,609
Impairment for securities	-	-	-	(1,249)	(1,249)
	<u>35,891</u>	<u>9,501</u>	<u>621,725</u>	<u>29,159</u>	<u>696,276</u>

The analysis of the trading and at fair value through profit or loss derivatives by maturity as at 30 June 2006 is as follows:

	Jun 2006					
	Notional with remaining term			Fair value		
	Less than 3 months Euros '000	3 months to 1 year Euros '000	More than 1 year Euros '000	Total Euros '000	Positive Euros '000	Negative Euros '000
OTC Market:						
Interest rate swaps	-	-	2,214,452	2,214,452	14,559	29,902
Currency swaps	3,853	-	19,825	23,678	381	347
Interest rate options (purchase)	-	15,000	19,000	34,000	501	501
	<u>3,853</u>	<u>15,000</u>	<u>2,253,277</u>	<u>2,272,130</u>	<u>15,441</u>	<u>30,750</u>

21 Hedging derivatives

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Assets:</i>		
Interest rate swaps	<u>15,912</u>	<u>29,153</u>
<i>Liabilities:</i>		
Interest rate swaps	<u>8,823</u>	<u>3,847</u>

Caixa uses derivatives to hedge interest rate risks. The accounting method depends on the nature of the hedged risk, namely if Caixa is exposed to fair value changes, variability in cash-flows or highly probable forecast transactions. As at 31 December 2004, in compliance with applicable accounting criteria, Caixa had a set of fixed rate debt issues for which there were financial derivative instruments (IRS) with the purpose of hedging the interest rate risk related to those issues.

From 1 January, 2005, for the hedging relationships which comply with the hedging requirements of IAS 39, Caixa adopted the fair value hedge model, and holds in its derivatives portfolio mainly interest rate swaps, which are hedging fair value changes of interest rate risk of Deposits from other credit institutions and Deposits from customers.

Caixa accounted in earnings the amount of Euros 24,735,000 (2005: Euros 29,891,000) regarding the fair value changes of the risk of interest rate associated to the assets and liabilities described before.

The adjustment calculated to the assets and liabilities which includes hedged items is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Deposits from other credit institutions	(17,767)	(28,739)
Deposits from customers	(6,968)	(1,152)
	<u>(24,735)</u>	<u>(29,891)</u>

The analysis of the hedging derivatives by maturity as at 30 June 2006 is as follows:

	Jun 2006					
	Notional with remaining term				Fair value	
	Less than 3 months	3 months to 1 year	More than 1 year	Total	Positive	Negative
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Fair value hedge derivatives with interest rate risk	-	68,358	419,585	487,943	15,912	8,823

22 Financial assets held to maturity

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Fixed income securities:</i>		
Bonds issued by Portuguese Government and public entities	<u>34,943</u>	<u>34,776</u>

As at 30 June 2006, the investments held to maturity, are analysed as follows:

Issue	Issue date	Reimbursement date	Interest rate	Euros '000
OT - Junho 98/2008	June, 1998	June, 2008	Fixed rate of 5.375%	6,729
OT - Setembro 98/2013	September, 1998	September, 2013	Fixed rate of 5.45%	99
OT - Julho 99/2009	July, 1999	July, 2009	Fixed rate of 3.95%	6,514
OT - Maio 00/2010	May, 2000	May, 2010	Fixed rate of 5.85%	6,693
OT - Junho 01/2011	June, 2001	June, 2011	Fixed rate of 5.15%	1,086
OT - Junho 02/2012	June, 2002	June, 2012	Fixed rate of 5.00%	104
OT - Julho 03/2006	July, 2003	July, 2006	Fixed rate of 3.00%	6,686
OT - Julho 04/2008	July, 2004	July, 2008	Fixed rate of 3.25%	6,535
OT - Abril 05/2011	April, 2005	April, 2011	Fixed rate of 3.20%	393
OT - Outubro 05/2015	July, 2005	October, 2015	Fixed rate of 3.35%	104
				<u>34,943</u>

The investments held to maturity are stated in accordance with the accounting policy presented in note 1.4.

23 Investments in associated companies

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Investments in associated companies and other:</i>		
Lusitania, Companhia de Seguros, S.A.	8,628	8,860
Lusitania Vida, Companhia de Seguros, S.A.	5,013	6,106
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	2,538	2,663
Norfin - Soc. Gestora de Fundos Invest. Imob., S.A.	264	306
	<u>16,443</u>	<u>17,935</u>
Unquoted	16,443	17,935
Equity method	16,443	17,935

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

	Assets Euros '000	Liabilities Euros '000	Income Euros '000	Profit Euros '000
30 June, 2006				
Lusitania, Companhia de Seguros, S.A.	268,747	240,859	67,650	3,359
Lusitania Vida, Companhia de Seguros, S.A.	327,938	312,127	94,130	599
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	60,424	47,733	3,694	(625)
Norfin - Soc. Gestora de Fundos Invest. Imob., S.A.	3,333	669	1,777	700
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	245,276	238,352	3,101	30
31 December, 2005				
Lusitania, Companhia de Seguros, S.A.	238,989	205,234	113,039	2,813
Lusitania Vida, Companhia de Seguros, S.A.	256,609	241,090	112,900	2,335
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	66,523	53,207	7,966	(1,150)
Norfin - Soc. Gestora de Fundos Invest. Imob., S.A.	3,677	588	2,973	1,251
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	237,752	230,859	576	(108)

Caixa has a portfolio of investments in associated companies. Associated companies are all permanent investments in which Caixa exercises significant influence but does not have control. The activity of the referred companies should complement the one developed by Caixa.

Lusitania, Companhia de Seguros, S.A. was established on 6 June, 1986, and its purpose is the practice of insurance and reinsurance for all technical areas, with the exception of life insurance. The company's share capital amounts to Euros 19,250,000 and its shareholders, in addition to Caixa, are Montepio Geral – Associação Mutualista (65.71%) and Lusitania Vida, Companhia de Seguros, S.A. (3.32%).

Lusitania Vida, Companhia de Seguros, S.A. was established on 15 May, 1987, and its purpose is the practice of all forms of life insurance and reinsurance. The company's share capital amounts to Euros 9,000,000 and its shareholders, besides Caixa, are Montepio Geral – Associação Mutualista (39.22%) and Lusitania, Companhia de Seguros, S.A. (11.17%).

In order to carry out their operations, both companies have their own branches and a network of insurance brokers using also Caixa's branches to sell their products.

As at 30 June, 2006, the companies considered for consolidation purposes are analysed as follows:

Subsidiary	Head office	Share capital	Currency	Activity	% Held by Caixa	Consolidation method
Lusitania, Companhia de Seguros, S.A.	Lisbon	19,250,000	Euros	Non-life insurance and reinsurance	26%	Equity method
Lusitania Vida, Companhia de Seguros, S.A.	Lisbon	9,000,000	Euros	Life insurance and reinsurance	39%	Equity Method
Banco Montepio Geral – Cabo Verde, Soc. Unipessoal, S.A. (IFI)	Praia	772,000,000	CVE	Banking	100%	Full consolidation method

24 Property and equipment

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Cost:</i>		
Land and buildings:		
For own use	66,304	66,304
Leasehold improvements in rented buildings	32,082	31,841
Work in progress	82	82
Equipment:		
Furniture	9,395	9,277
Office equipment	2,592	2,737
Computer equipment	31,388	26,969
Interior installations	20,626	20,385
Motor vehicles	1,415	1,464
Security equipment	2,654	2,621
Works of art	420	419
Other tangible assets	30	30
Work in progress	1,664	1,249
	<u>168,652</u>	<u>163,378</u>
<i>Accumulated depreciation:</i>		
Charge for the year	(4,149)	(8,200)
Accumulated charge for the previous years	(82,550)	(74,769)
	<u>(86,699)</u>	<u>(82,969)</u>
	<u>81,953</u>	<u>80,409</u>

25 Intangible assets

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Cost:</i>		
Set up costs and key money	33	33
Software	23,598	19,618
Assets advances	72	24
	<u>23,703</u>	<u>19,675</u>
<i>Accumulated depreciation:</i>		
Charge for the year	(1,729)	(2,886)
Accumulated charge for the previous years	<u>(14,124)</u>	<u>(11,238)</u>
	<u>(15,853)</u>	<u>(14,124)</u>
	<u><u>7,850</u></u>	<u><u>5,551</u></u>

26 Other assets

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Investments arising from recovered loans	110,488	112,948
Recoverable government subsidies on mortgage loans	28,181	21,222
Other debtors	7,114	5,223
Other accrued income	2,886	2,623
Prepayments and deferred costs	1,716	1,005
Sundry debtors	16,071	14,764
	<u>166,456</u>	<u>157,785</u>
Impairment for investments arising from recovered loans	<u>(13,749)</u>	<u>(13,382)</u>
	<u><u>152,707</u></u>	<u><u>144,403</u></u>

The balance Investments arising from recovered loans includes the buildings recovered related with overdue loans in the amount of Euros 102,595,000 (31 December, 2005: Euros 104,016,000). The referred buildings are recognised in accordance with the accounting policy described in note 1.14.

The balance Recoverable government subsidies on mortgage loans, in the amount of Euros 28,181,000 (31 December, 2005: Euros 21,222,000), corresponds to mortgage credit interest subsidies, in accordance with the regulations applicable to mortgage loans benefits. The referred amounts do not bear interest and are claimed monthly.

As at 30 June, 2006 and 31 December, 2005, the balance Recoverable government subsidies on mortgage loans is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Recoverable government subsidies on mortgage loans	7,908	4,526
Subsidies unclaimed	10,380	10,479
Overdue subsidies unclaimed	9,893	6,217
	<u>28,181</u>	<u>21,222</u>

As at 30 June, 2006 and 31 December, 2005, the balance Recoverable government subsidies on mortgage loans includes an amount of Euros 3,473,000 not-recognised by the treasury authorities. This amount is totally provided for in the balance Provisions, as referred in note 31.

The impairment for investments arising from recovered loans is analysed as follows:

	Jun 2006 Euros '000	Jun 2005 Euros '000
Balance on 1 January	13,382	8,966
Impairment for the period	1,644	4,545
Write-back for the period	(495)	(957)
Amounts charged off	(782)	(1,167)
Balance on 30 June	<u>13,749</u>	<u>11,387</u>

27 Deposits from other credit institutions

This balance is analysed as follows:

	Jun 2006			Dec 2005		
	Non interest bearing Euros '000	Interest bearing Euros '000	Total Euros '000	Non interest bearing Euros '000	Interest bearing Euros '000	Total Euros '000
Credit institutions in Portugal	350,000	72,514	422,514	-	148,380	148,380
Credit institutions abroad	13,473	537,368	550,841	10,751	547,470	558,221
	<u>363,473</u>	<u>609,882</u>	<u>973,355</u>	<u>10,751</u>	<u>695,850</u>	<u>706,601</u>

The balance Deposits from other credit institutions, analysed by the period to maturity, is as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Up to 3 months	426,265	31,417
3 months to 6 months	43,149	141,454
6 months to 1 year	165,633	4,146
1 year to 5 years	296,910	463,843
More than 5 years	38,594	60,283
	970,551	701,143
Adjustments arising from hedging operations	2,804	5,458
	<u>973,355</u>	<u>706,601</u>

28 Deposits from customers

This balance is analysed as follows:

	Jun 2006			Dec 2005		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Deposits repayable on demand	2,194,570	-	2,194,570	2,241,727	-	2,241,727
Time deposits (*)	-	4,198,235	4,198,235	-	3,780,142	3,780,142
Saving accounts (**)	-	1,606,511	1,606,511	-	1,756,528	1,756,528
Other items	1,358	-	1,358	2,498	-	2,498
Adjustments arising from hedging operations	-	(4,600)	(4,600)	-	(1,369)	(1,369)
	<u>2,195,928</u>	<u>5,800,146</u>	<u>7,996,074</u>	<u>2,244,225</u>	<u>5,535,301</u>	<u>7,779,526</u>

Observations: (*) Deposits for which the embedded derivative was separate from the host contract, in accordance with note 21 and accounting policy in note 1.5.

In accordance with Regulation No. 180/94, of 15 December, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The calculations of the annual contributions for this Fund are based on the criteria laid out in Regulation No. 11/94, of the Bank of Portugal.

The balance Deposits from costumers, analysed by the period to maturity, is as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Deposits repayable on demand</i>	2,194,570	2,241,727
<i>Time deposits and saving accounts:</i>		
Up to 3 months	3,048,644	3,257,519
3 months to 6 months	1,275,581	866,065
6 months to 1 year	848,790	684,234
1 year to 5 years	564,556	681,191
More than 5 years	67,175	47,661
	<u>5,804,746</u>	<u>5,536,670</u>
Adjustments arising from hedging operations	(4,600)	(1,369)
	<u>5,800,146</u>	<u>5,535,301</u>
<i>Other items:</i>		
Up to 3 months	1,358	2,498
	<u>5,801,504</u>	<u>5,537,799</u>
	<u>7,996,074</u>	<u>7,779,526</u>

29 Debt securities issued

The balance Debt securities issued is related with Bonds issued. This balance, analysed by the period to maturity, is as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Up to 6 months	201,189	558,209
6 months to 1 year	-	199,925
1 year to 5 years	3,231,366	2,521,709
More than 5 years	1,710,918	1,788,067
	<hr/>	<hr/>
Adjustments arising from hedging operations	5,143,473 (18,505)	5,067,910 (1,169)
	<hr/>	<hr/>
	<u>5,124,968</u>	<u>5,066,741</u>

As at 30 June 2006, the characteristics of bonds issued are analysed as follows:

Issue	Issue date	Reimbursement date	Interest Rate	2006 Euros '000
<i>Bonds issued:</i>				
Obr. CEMG / 02 1ª Emissão	Jan..2002	Jan.2012	Euribor 6 months + 1%	50,000
Pelican Mortgage No. 1	Dec..2002	Dec.2037	W.A.I. – 1.33%	365,850
Pelican Mortgage No. 2	Sep.2003	Sep.2036	W.A.I. – 1.53%	545,926
Obr. CEMG / 03	Mar.2003	Mar.2008	Fixed rate of 3.8%	100,000
Obr. CEMG / 03	Aug.2003	Aug.2009	Fixed rate of 3.548%	100,000
Obr. CEMG / 03	Nov.2003	Nov.2008	Pribor 6 months + 0.18%	17,548
Obr. CEMG / 03	Nov.2003	Nov.2008	Euribor 3 months + 0.30%	200,000
Obr. CEMG / 03	Jan.2004	Nov.2008	Euribor 3 months + 0.30%	100,000
Obr. CEMG / 04	Feb.2004	Aug.2007	Fixed rate of 3.25%	120,000
Obr. CEMG / 04	Mar.2004	Mar.2007	Euribor 3 months + 0.20%	400,000
Obr. CEMG / 04	Mar.2004	Mar.2009	Hibor 3 months + 0.26%	10,127
Obr. CEMG / 04	Jul.2004	Jul.2006	Euribor 3 months + 0.125%	200,000
Obr. CEMG / 04	Sep.2004	Sep.2014	Euribor 3 months + 0.25%	15,000
Obr. CEMG / 04	Sep.2004	Sep.2014	Euribor 3 months + 0.31%	50,000
Obr. CEMG / 04	Sep.2004	Sep.2014	Euribor 3 months + 0.31%	50,000
Obr. CEMG / 04	Sep.2004	Sep.2009	Fixed rate of 4.6%	17,548
Obr. CEMG / 04	Nov.2004	Nov.2009	Euribor 3 months + 0.25%	300,000
Obr. CEMG / 04	Feb.2005	Nov.2009	Euribor 3 months + 0.25%	300,000
Obr. CEMG / 05	Feb.2005	Feb.2015	Fixed rate of 3.5%	125,000
Obr. CEMG / 05	Mar.2005	Mar.2015	Euribor 3 months + 0.25%	5,000
Obr. CEMG / 05	May.2005	May.2012	Euribor 3 months + 0.25%	500,000
Obr. caixa MG Aforro 1ª Emissão	Aug.2005	Aug.2009	Fixed rate of 1.85%	19,000
Obr. CEMG / 05	Sep.2005	Sep.2010	Euribor 3 months + 0.20%	500,000
Obr. CEMG / 05	Oct.2005	Sep.2010	Euribor 3 months + 0.20%	125,000
Obr. caixa MG Aforro 2ª Emissão	Oct.2005	Oct.2009	Fixed rate of 1.85%	62,000
Obr. caixa MG Cabaz TOP 1ª Emissão	Oct.2005	Oct.2007	Fixed rate of 2%	8,500
Obr. caixa MG Aforro 3ª Emissão	Nov.2005	Nov.2009	Fixed rate of 1.85%	14,000
Obr. caixa MG Especial Poupança	Nov.2005	Nov.2010	Fixed rate of 1.85%	23,000
Obr. caixa MG Aforro 4ª Emissão	Dec.2005	Dec.2009	Fixed rate of 1.85%	52,000
Obr. caixa MG Business Invest	Dec.2005	Dec.2008	Fixed rate of 2%	26,500
Obr. caixa MG Aforro Especial	Dec.2005	Dec.2008	Fixed rate of 5%	30,000
Obr. CEMG / 06	Jan.2006	Jan.2011	Euribor 3 months + 0.20%	500,000
Obr. caixa MG Valor Garantido 2006	Jan.2006	Jan.2011	Fixed rate of 2.65%	10,000
Obr. caixa MG Aforro/06 1ª Emissão	Feb.2006	Feb.2009	Fixed rate of 2.25%	40,000
Obr. caixa MG Aforro/06 2ª Emissão	Feb.2006	Feb.2009	Fixed rate of 2.25%	17,000
Obr. caixa MG Aforro Especial Fev.06	Feb.2006	Feb.2009	Fixed rate of 2.45%	9,000
Obr. caixa MG Aforro/06 3ª Emissão	Mar.2006	Mar.2009	Fixed rate of 2.25%	17,000
Obr. caixa MG Aforro/06 4ª Emissão	Mar.2006	Mar.2009	Fixed rate of 2.50%	23,000
Obr. caixa MG Business Invest 2006	Mar.2006	Mar.2008	Fixed rate of 2.50%	17,000
Obr. caixa MG Aforro/06 5ª Emissão	Apr.2006	Apr.2009	Fixed rate of 2.50%	20,000
Obr. caixa MG Aforro/06 6ª Emissão	May.2006	May.2009	Fixed rate of 2.50%	20,000
Obr. caixa MG Valor Imobiliário	May.2006	May.2009	Taxa fixa anual de 1%	2,000
Obr. caixa MG Commodities	May.2006	May.2009	Fixed rate of 3.75%	4,700
Obr. caixa MG Aforro/06 7ª Emissão	Jun.2006	Jun.2009	Fixed rate of 2.75%	25,000
				5,136,699
Adjustments arising from hedging operations				(18.505)
Accruals, deferred costs and income				6.774
				5,124,968

As at 30, June 2006, the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 1 % and 4.6%.

The CEMG/02 1ª Emissão cash bonds present a 6% cap.

The MG Cabaz Top 1ª Emissão bonds present a 2% floor.

The reimbursements of bonds in the first semester of 2006, are analysed as follows:

Issue	Issue date	Reimbursement Date	Interest rate	Reimbursement amount Euros '000
<i>Bonds issued:</i>				
Obr. CEMG / 01 1ª Emissão	Mar.2001	Jun.2006	Euribor 3 months + 0.35%	250,000
Obr. CEMG / 01 1ª Emissão	Jun.2001	Jun.2006	Fixed rate of 5.25%	300,000
				<u>550,000</u>

The Debt securities issued with reimbursement date during the second semester of 2006 amount to Euros 200,000,000.

30 Financial liabilities held for trading and other financial liabilities at fair value through profit or loss

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Financial liabilities held for trading:</i>		
Currency derivatives	347	23
Interest rate derivatives	2,527	14,943
Options	501	300
	<u>3,375</u>	<u>15,266</u>
<i>Other financial liabilities at fair value through profit or loss</i>		
Interest rate derivatives	<u>27,375</u>	<u>-</u>
	<u>30,750</u>	<u>15,266</u>

The embedded derivatives valuations separated from the host contract recognised as trading instruments are recorded in the balance Interest rate derivatives.

31 Provisions

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Other provisions for liabilities and charges	<u>5,056</u>	<u>5,153</u>

Other provisions for liabilities and charges are analysed as follows:

	Jun 2006 Euros '000	Jun 2005 Euros '000
Balance on 1 January	5,153	5,614
Impairment for the period	-	1,170
Write-back for the period	(97)	(973)
Amounts charged-off	<u>-</u>	<u>(640)</u>
Balance on 30 June	<u>5,056</u>	<u>5,171</u>

The provisions were accounted in accordance with the probability of occurrence of certain contingencies related with Caixa's activity.

32 Subordinated debt

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Cash bonds	9,982	9,982
Bonds with fixed maturity date	200,072	149,770
Perpetual bonds	100,731	150,897
	<u>310,785</u>	<u>310,649</u>

As at 30 June, 2006, the subordinated debt issues, are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Number of bonds	Jun 2006 Euros '000
<i>Cash bonds:</i>					
CEMG/96	Dec. 1996	Dec. 2006	Euribor 6 months + 0.20%	4,987,978,972	9,982
<i>Bonds with fixed maturity date:</i>					
CEMG/03 1ª emissão	Feb. 2003	Feb. 2013	Euribor 3 months + 1.3%	10,000	99,668
CEMG/03 2ª emissão	May. 2003	Feb. 2013	Euribor 3 months + 1.3%	5,000	50,187
CEMG/06	Apr. 2006	Apr. 2016	Euribor 3 months + 0.45%	50,000	50,217
					<u>200,072</u>
<i>Perpetual bonds:</i>					
CEMG/01	Jul. 2001	Undetermined	Euribor 3 months + 1.1%	2,000,000	<u>100,731</u>
					<u>310,785</u>

The CEMG/96 has a maximum maturity of 10 years. However, it is redeemable over the last five years by reduction of 20% of its nominal value each year.

At the end of the seventh year of the CEMG/01 perpetual bonds and subsequently at each interest payment date, Caixa can reimburse the bonds in full at par, after authorisation of the Bank of Portugal. If the bonds are not reimbursed during that period the interest rate spread will be increased to 210 basis points. This issue is listed at Euronext.

The CEMG/03 subordinated bonds have an anticipated reimbursement option in 2008.

As at 30 June, 2006, the effective interest rate range of the subordinated debt bears postponed interest every three and six months is set between 2.76% and 4.21%.

The reimbursements of subordinated debt in the first semester of 2006 are analysed as follows:

<u>Issue</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Number of bonds</u>	<u>Reimbursement amount</u>
CEMG/99	Mai. 1999	Undetermined	Euribor 3 months + 1.1%	1,000,000	50,000
					<u>50,000</u>

The analysis of the subordinated debt, by the period to maturity, is as follows:

	<u>Jun 2006</u> <u>Euros '000</u>	<u>Dec 2005</u> <u>Euros '000</u>
Up to 1 year	9,982	9,982
More than 5 year	300,803	300,667
	<u>310,785</u>	<u>310,649</u>

33 Other liabilities

This balance is analysed as follows:

	<u>Jun 2006</u> <u>Euros '000</u>	<u>Dez 2005</u> <u>Euros '000</u>
Suppliers	2,145	5,046
Other creditors	15,090	34,431
Public sector	6,684	7,550
Interest payable	-	5,578
Holiday pay and subsidies	14,545	19,950
Other administrative costs payable	110	340
Other sundry liabilities	573	548
Suppliers	73,746	110,516
	<u>112,893</u>	<u>183,959</u>

As at 31 December, 2005, the balance Other sundry liabilities includes the amount of Euros 39,860,000 related with the additional contribution to the Pensions Fund made by Caixa during 2006 with value date of 2005.

34 Share capital

On 6 June, 2006, following the General Assembly deliberation, Caixa increased the share capital in the amount of Euros 100,000,000, by cash transfer.

After the referred operation, the share capital of Caixa amounts to Euros 585,000,000, totally subscribed by Montepio Geral – Associação Mutualista.

35 General and special reserves

The general and special reserves are charged under the scope of Decree-Law no. 136/79, of 18 May. The general reserve is charged to cover any risk and extraordinary losses or depreciation.

Under the Portuguese regulations, the general reserve should be charged, at least, in a minimum of 20% of the profit for the year. The limit of general reserve is 25% of total deposits. This reserve is not available for distribution and it can be used to improve future income performances or to increase capital.

The special reserve is charged to cover losses from current operations. Under the Portuguese regulations, the special reserve should be charged, at least, in a minimum of 5% of the profit for the year. This reserve is not available for distribution and it can be used to improve income performances or to increase capital.

36 Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Fair value reserves</i>	<u>(230)</u>	<u>(148)</u>
<i>Reserves and retained earnings</i>		
General reserve	131,198	122,136
Special reserve	54,571	52,306
Other reserves	7,075	4,337
Retained earnings	<u>(90,906)</u>	<u>(121,252)</u>
	<u>101,938</u>	<u>57,527</u>

The general and special reserves movements are analysed in note 35.

The Fair value reserves correspond to the accumulated fair value changes of the financial instruments available for sale, in accordance with the accounting policy described in note 1.5.

As at 30 June, 2006, the balance Retained earnings includes the transition adjustments in the amount of Euros 102.327.000 (2005: 124.714.000).

37 Obligations and future commitments

Obligations and future commitments are analysed as follows:

	Jun 2006 Euros '000	Dec 2005 Euros '000
Guarantees granted	285,881	281,027
Guarantees received	32,105,914	31,376,921
Commitments to third parties	1,409,728	1,328,288
Commitments from third parties	40,018	24,456
Securitised loans	894,957	973,068
Securities and other items held for safekeeping on behalf of customers	5,251,454	4,556,235

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

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Guarantees granted:</i>		
Guarantees	283,842	278,580
Open documentary credits	2,039	2,447
	<u>285,881</u>	<u>281,027</u>

	Jun 2006 Euros '000	Dec 2005 Euros '000
<i>Commitments to third parties:</i>		
Irrevocable commitments		
Term deposits contracts	5,327	5,327
Irrevocable credit lines	194,733	191,904
Annual contribution to the Guarantee Deposits Fund	19,142	18,859
Potential obligation with the Investors' Indemnity System	2,019	1,896
Revocable commitments		
Revocable credit lines	<u>1,188,507</u>	<u>1,110,302</u>
	<u>1,409,728</u>	<u>1,328,288</u>

As at 30 June, 2006 and 31 December, 2005, the balance Annual contribution to the Guarantee Deposits Fund is related with the irrevocable commitment assumed by Caixa and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

The balance Potential obligation with the Investors' Indemnity System, as at 30 June, 2006 and 31 December, 2005, is related with the irrevocable commitment assumed by Caixa and required by law, to deliver to that System the necessary amounts for Caixa's obligation with the investors' indemnities to be paid.

The financial instruments recorded in off-balance sheet accounts (obligations and future commitments), are also subject to the same control and approval procedures required for the credit portfolio. The management does not anticipate any material losses as a result of these transactions.

38 Distribution of profit

On 30 March, 2006, following the General Assembly deliberation, Caixa distributed to Montepio Geral – Associação Mutualista in the amount of Euros 11,597,000 (2005: Euros 24,782,000).

39 Pensions

As at 30 June, 2006, Caixa registered as pension cost the amount of Euros 10,125,000, analysed as follows:

	Jun 2006 Euros '000	Jun 2005 Euros '000
Service costs	8,846	6,272
Interest costs	10,344	8,695
Expected return on plan assets	(7,753)	(6,820)
Other	(1,312)	3,223
Cost of the period	<u>10,125</u>	<u>11,370</u>

40 Related parties

As at 30 June 2006, Caixa had credits over subsidiaries, represented or not by securities, included in the items of Loans and advances to customers that are analysed as follows:

	Loans and advances to customers Euros '000
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	15,600
Unicre - Cartão Internacional de Crédito, S.A.	1,687
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	290
Credint - Consultoria Financeira e Creditícia, S.A.	453
	<u>18,030</u>

As at 30 June 2006, Caixa's liabilities with subsidiaries, represented or not by securities, included in items Deposits from credit institutions and to customers and in Subordinated debt, are analysed as follows:

Company	Deposits from credit institutions Euros '000	Deposits from customers Euros '000	Subordinated debt Euros '000	Total Euros '000
Lusitania Companhia de Seguros, S.A.	-	26,540	1,499	28,039
Lusitânia Vida Companhia de Seguros, S.A.	-	41,346	2,048	43,394
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	-	289	-	289
Caixa Económica de Cabo Verde	9,357	-	-	9,357
SIBS - Sociedade Interbancária de Serviços, S.A.	-	3	-	3
MG Gestão de Activos Financeiros - - S.G.F.I.M., S.A.	-	14,508	-	14,508
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	-	546	100	646
Banco de África Ocidental, S.A.	1,388	-	-	1,388
Norfin - Sociedade Gestora de FIM, S.A.	-	17,876	-	17,876
Credint - Consultoria Financeira e Creditícia, S.A.	-	142	-	142
Bolsimo – Gest. Imob., Lda.	-	57	-	57
	10,745	101,307	3,647	115,699

41 Segmental reporting

In accordance with the nature of its activity and clients, Caixa is focused under one business segment.

Caixa offers a wide range of banking activities and financial services in Portugal and Cape Verde.

Geographical Segments

Aimed at the strategy of development, Caixa operates with special emphasis in the Portuguese and Cape Verde markets. Considering this, the geographical segments are Portugal and Cape Verde. The segment Portugal reflects, essentially, the activities carried by Caixa Económica Montepio Geral. The segment Cape Verde includes the business carried by Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI).

As at 30 June 2006, the net contribution of the geographical segments is analysed as follows:

Statement of income	Portugal	Cape Verde	Adjustments	Consolidated
Interest income	316,733	2,751	(1,184)	318,300
Interest expense	169,297	2,682	(1,184)	170,795
Net interest income	147,436	69	-	147,505
Commissions and other income	43,210	-	-	43,210
Commissions and other costs	9,520	-	-	9,520
Net commissions and other income	33,690	-	-	33,690
Net gains arising from trading activity	(609)	(15)	-	(624)
Staff costs and administrative costs	100,669	24	-	100,693
Depreciations	5,878	-	-	5,878
Total operating costs	106,547	24	-	106,571
Impairment and provisions	43,775	-	-	43,775
Income before share of profit of associates under the equity method	30,195	30	-	30,225
Share of profit of associates under the equity method	1,061	-	-	1,061
Profit for the period	31,256	30	-	31,286

Balance sheet	Portugal	Cape Verde	Adjustments	Consolidated
Cash and Loans and advances to credit institutions	1,081,992	245,071	(243,794)	1,083,269
Loans and advances to customers	13,013,899	-	-	13,013,899
Financial assets available for sale	862,304	-	(7,001)	855,303
Other assets	328,401	204	(378)	328,227
Total Assets	15,286,596	245,275	(251,173)	15,280,698
Deposits from other credit institutions	1,217,149	-	(243,794)	973,355
Deposits from customers	7,757,904	238,170	-	7,996,074
Debt securities issued	5,124,968	-	-	5,124,968
Other liabilities	468,503	182	(378)	468,307
Total Liabilities	14,568,524	238,352	(244,172)	14,562,704
Total Equity	718,072	6,923	(7,001)	717,994
Total Liabilities and Equity	15,286,596	245,275	(251,173)	15,280,698

As at 31 December, 2005, the net contribution of the geographical segments is analysed as follows:

Statement of income	Portugal	Cape Verde	Adjustments	Consolidated
Interest income	602,808	576	(576)	602,808
Interest expense	328,393	632	(576)	328,449
Net interest income	274,415	(56)	-	274,359
Commissions and other income	84,906	-	-	84,906
Commissions and other costs	17,338	25	-	17,363
Net commissions and other income	67,568	(25)	-	67,543
Net gains arising from trading activity	6,002	-	-	6,002
Staff costs and administrative costs	198,038	26	-	198,064
Depreciations	11,085	1	-	11,086
Total operating costs	209,123	27	-	209,150
Impairment and provisions	82,562	-	-	82,562
Income before share of profit of associates under the equity method	56,300	(108)	-	56,192
Share of profit of associates under the equity method	1,551	-	-	1,551
Profit for the year	57,851	(108)	-	57,743

Balance sheet	Portugal	Cape Verde	Adjustments	Consolidated
Cash and Loans and advances to credit institutions	1,246,664	237,745	(236,443)	1,247,966
Loans and advances to customers	12,415,395	-	-	12,415,395
Financial assets available for sale	685,667	-	(7,001)	678,666
Other assets	329,830	7	-	329,837
Total Assets	14,677,556	237,752	(243,444)	14,671,864
Deposits from other credit institutions	943,044	-	(236,443)	706,601
Deposits from customers	7,548,667	230,859	-	7,779,526
Debt securities issued	5,066,741	-	-	5,066,741
Other liabilities	518,874	-	-	518,874
Total Liabilities	14,077,326	230,859	(236,443)	14,071,742
Total Equity	600,230	6,893	(7,001)	600,122
Total Liabilities and Equity	14,677,556	237,752	(243,444)	14,671,864