

28 July 2010

Millennium bcp earnings release as at 30 June 2010

HIGHLIGHTS

- Consolidated net income of Euro 163 million in the first half of 2010, up by 10.7% from the same period in 2009;
- In accordance with the IRB approach^(*), the pro forma Tier I and solvency ratios reached 8.9% and 9.7%, respectively. In accordance with the standard approach Tier I stood at 8.6% and the total solvency ratio stood at 10.0%;
- Contribution from the international operations to consolidated net income stood at Euro 25 million, with loans to customers and total customer funds increasing by 10.0% and 5.1%, respectively;
- Net income of Bank Millennium in Poland increased by 6 times, from the first half of 2009, and reached to Euro 34 million, boosted by net interest income and commissions;
- Net operating revenues grew 12.6%, from the 1st half of 2009;
- Net interest income was up by 4.4% and net commissions increased by 16.8%, from the first half of 2009. Net interest income in Portugal had its best quarterly performance since the 2nd quarter of 2009;
- Total customer funds rose by 1.2% to Euro 65,632 million, with customer deposits reaching to Euro 44,072 million and benefiting from the 13.4% increase in off-balance sheet customer funds;
- Loans to customers increased by 1.5%, benefiting from international operations in more dynamic markets, and reached to Euro 78,176 million, with mortgage lending growing by 4.8% from 30 June 2009;
- Stabilisation of consolidated operating costs, with improvement in the cost-to-income ratio in Portugal to 46.2%, in the first half of 2010;
- Overdue loans by more than 90 days stood at 2.7% of total loans, while the coverage ratio stood at 105.1%, in line with the current economic cycle;
- On July 23 the results of the stress tests in Europe, under the coordination and responsibility of the European Supervisory Entities and the Bank of Portugal, were released. The results obtained by Millennium bcp are positive, showing that the bank is solid, adequately capitalized and resilient, even in extreme scenarios.

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(*) Considering the evolution of the revision process, by the Bank of Portugal, of the submission of the proposal to adopt the IRB approach, including estimates for the probability of default and of losses given default (IRB advanced) for the retail portfolio collateralized by commercial and residential real estate, and estimates of the probability of default (IRB Foundation) for the corporate portfolio, in Portugal, determined on a pro forma basis.

Lisbon, 28 July 2010

SUMMARY

ECONOMIC ENVIRONMENT

Economic growth in the 1st half of 2010 is expected to slow in coming months, particularly in European countries where financial conditions are more demanding.

Economic growth and the state of play of financial markets hindered performance.

Perception about the sustainability of public finances in the advanced economies fostered the return of risk aversion.

After exceptionally strong economic growth during the first half of the year, the change in fiscal policy and unstable financing conditions are expected to result in a substantial slowdown in economic activity in the coming months, particularly in the European countries where financial conditions are more demanding. Credibility and foresight in economic policy choices will be key to mitigating the unfavourable effects of the fiscal consolidation process and to soothing some of the tensions seen in international funding markets.

Economic growth and the state of play of financial markets are fundamental to sustained profitability and solvency of financial institutions. Therefore, the banking business will continue trading under in an atypically uncertain environment and with the effects of market discipline in anticipation of the proposals for reviewing the current regulatory framework.

The concerns about the sustainability of public finances in the advanced economies fostered the return of risk aversion. Financial turmoil was particularly intense in European markets, resulting from a shock on perceptions concerning the levels of indebtedness of some countries. Faced with the risk of an institutional crisis of dire consequences and proportions, euro area countries agreed to sketch out a comprehensive set of financial support mechanisms, while the ECB has extended its intervention to sovereign debt markets. At the same time, member states renewed their basic commitment to financial stability by adopting rigorous fiscal consolidation plans for the coming years. Public policy is thus likely to change markedly in the foreseeable future. The expansionary fiscal stance characteristic of late 2008 and 2009 will turn into austerity, with dampening effects on economic activity. The ability to advance from a situation of economic restrictiveness to an environment of renewed confidence, and the speed at which this happens, depends on the instruments, the credibility and level of execution of the goals that have been outlined for public finances.

Acceleration in world trade benefits countries like Angola, Mozambique and Poland.

The crisis will continue to affect the banking business and prompt reflection on the proposed new regulatory requirements for the sector.

The acceleration in world trade remains highly favourable for countries that export raw materials, like Angola and Mozambique, and for European economies with greater exposure to the capital goods cycle, indirectly benefiting Poland. In these countries banking activity is reviving. This contrasts with the difficulties recorded in the peripheral countries of southern Europe, where the low propensity to invest and the difficulties in obtaining financial resources are constraining both the demand and the supply of credit.

The extension of the effects of the crisis, coupled with more constrained public policies to support economic activity ahead, should continue to affect the banking business, contributing to an even more prudent assessment as to the manner and timing of adoption of the proposed new regulatory framework. Some of the initial proposals may be reviewed and deferred in time, allowing for a more gradual adjustment of financial institutions and the economies to the new regulatory requirements.

RESULTS

In the 1st half of 2010, Millennium bcp improved efficiency and profitability levels, with the solvency ratio standing at 10.0%. In accordance with the IRB approach, the pro forma solvency ratio stood at 9.7%.

Consolidated net income totalled €163.2 million.

In the actual context renewed economic growth, despite the unpredictability regarding its sustainability in the near future, the enduring impacts of the crisis and tensions in international financial markets, Millennium bcp continued to show resilience to the constraints placed to the banking activity, and achieved improved levels of efficiency and profitability. The focus of the Group on strict capital management led to a consolidated solvency ratio of 10.0% and a Tier I of 8.6%, as at 30 June 2010. In accordance with the IRB approach, the Tier I pro forma and total solvency ratio pro forma stood at 8.9% and 9.7%, respectively.

Millennium bcp's consolidated net income amounted to Euro 163.2 million in the first half of 2010, compared to Euro 147.5 million in the same period of 2009. Net income in the first half of 2010 includes the recognition of an impairment, associated to the goodwill of Millennium bank in Greece, in the amount of Euro 73.6 million, while net income in the first half of 2009 includes the gain accounted from the entry of new shareholders in Banco Millennium Angola's share capital, amounting to Euro 21.2 million.

Favourable evolution in net income, sustained by the increase in net operating revenues and by the reduction in operating costs.

Consolidated cost-to-income ratio stood at 52.2%, an improvement of 7.4 p.p., from the 1st half of 2009, sustained by the improvement in both the activity in Portugal and the international activity.

Total customer funds grew 1.2% supported by the rise of 13.4% in off-balance sheet customer funds, while customer deposits kept stable from the end of June 2009.

Loans to customers were up by 1.5% to €78,176 million, with mortgage loans increasing 4.8%.

Net income from the first half of 2010 showed a favourable performance, despite the higher level of charges for loan loss impairment (net of recoveries), sustained by the increase in net operating revenues, in particular in net trading income, net commissions, net interest income and dividends received, as well as by the cost containment, which benefited from the decrease in staff costs, in particular lower pension fund costs.

Impairment for loan losses (net of recoveries) stood at Euro 384.2 million in the first half of 2010 (Euro 279.1 million in the same period of 2009), influenced by the activity in Portugal and the international activity. In Portugal, the evolution of impairment for loan losses was constrained by the effects from the current financial and economic environment and aimed to cover the loan portfolio with impairment indicators.

The consolidated cost-to-income ratio, on a comparable basis, stood at 52.2%, in the first half of 2010, improving from 59.6% in the first half of 2009, an improvement of 7.4 p.p.. In the activity in Portugal, the cost-to-income ratio stood at 46.2%, compared to 54.6% in the same period of 2009 (an improvement of 8.4 p.p.), while the international activity, cost-to-income ratio improved by 5.7 p.p., supported by almost all geographies.

BALANCE SHEET

Total customer funds showed an increase of 1.2%, on a comparable basis, to Euro 65,632 million as at 30 June 2010, from Euro 64,854 million posted on the same date in 2009. The growth in total customer funds benefited from the rise of 13.4% in off-balance sheet customer funds, supported by the growth achieved in both capitalisation insurance (+15.4%) and assets under management (+8.8%), while customer deposits kept stable from the end of June 2009.

Loans to customers reached to Euro 78,176 million as at 30 June 2010, showing an increase of 1.5% from Euro 76,988 million (on a comparable basis) booked on 30 June 2009, reflecting mostly the increase of 3.7% in loans to individuals, supported by the growth of 4.8% in mortgage loans, while loans to companies slightly decreased from 30 June 2009, despite the rise in loans granted to the services sector.

Financial Highlights

<i>Euro million</i>	30 Jun. 10	30 Jun. 09	Change 10 / 09
Balance sheet			
Total assets	98,993	93,786	5.6%
Loans to customers ⁽¹⁾	78,176	76,988	1.5%
Loans to customers (net) ⁽¹⁾	75,920	75,072	1.1%
Total customer funds ^{(1) (2)}	65,632	64,854	1.2%
Balance sheet customer funds ⁽¹⁾	48,955	50,149	-2.4%
Customer deposits ⁽¹⁾	44,072	44,066	
Results			
Net interest income	705.0	675.6	4.4%
Net operating revenues ⁽³⁾	1,487.6	1,321.4	12.6%
Operating costs ⁽⁴⁾	776.9	775.2	0.2%
Loan impairment charges (net of recoveries)	384.2	279.1	37.7%
Other impairment and provisions	114.2	60.9	87.4%
Income taxes	21.7	45.9	-52.7%
Minority interests	27.3	12.8	113.1%
Net income	163.2	147.5	10.7%
Profitability			
Net operating revenues / Average net assets ⁽⁵⁾	3.1%	2.8%	
Return on average assets (ROA) ⁽⁶⁾	0.4%	0.3%	
Income before taxes and minority interests / Average net assets ⁽⁵⁾	0.4%	0.4%	
Return on average equity (ROE)	6.6%	6.1%	
Income before taxes and minority interests / Average equity ⁽⁵⁾	7.9%	8.0%	
Credit quality			
Overdue loans according to Bank of Portugal / Total loans ⁽⁵⁾	4.1%	2.5%	
Overdue loans according to Bank of Portugal, net/ Total loans, net ⁽⁵⁾	1.2%	0.0%	
Impairment for loan losses / Overdue loans by more than 90 days	105.1%	132.6%	
Impairment for loan losses / Overdue loans	93.2%	110.6%	
Efficiency ratios			
Operating costs / Net operating revenues ^{(5) (7)}	52.2%	59.6%	
Operating costs / Net operating revenues (Portugal) ^{(5) (7)}	46.2%	54.6%	
Staff costs / Net operating revenues ^{(5) (7)}	28.5%	34.2%	
Capital (pro forma IRB)			
Own funds	5,781		
Risk weighted assets	59,527		
Tier I	8.9%		
Total	9.7%		
Capital (standardised)			
Tier I solvency ratio ⁽⁵⁾	8.6%	8.0%	
Total solvency ratio ⁽⁵⁾	10.0%	11.1%	
Branches			
Portugal activity	909	917	-0.9%
Foreign activity ⁽¹⁾	863	856	0.8%
Employees			
Portugal activity	10,236	10,439	-1.9%
Foreign activity ⁽¹⁾	11,109	10,918	1.7%

(1) Adjusted from the impact of the operations in Turkey and in USA, in accordance with the sale agreements established.

(2) Amounts due to customers (including securities), assets under management and capitalisation insurance.

(3) Net interest income, dividends from equity instruments, net commissions, net trading income, equity accounted earnings, other net operating income (rule 16/2004 from the Bank of Portugal).

(4) Staff costs, other administrative costs and depreciation.

(5) According to rule 16/2004 from the Bank of Portugal.

(6) Considering net income before minority interest.

(7) Excludes the impact of specific items.

At the presentation of earnings for the first half of 2010, the Chairman of the Executive Board of Directors (EBD), Carlos Santos Ferreira, began by commenting on the current economic and financial environment, characterised by a scarcity of liquidity in the markets, and pointed out the efforts undertaken by the Bank concerning liquidity management.

The Chairman highlighted the positive performance of the Bank's liquidity plan, with financing needs already refinanced for this year, a situation that illustrates a comfortable liquidity position. Given the current environment, the Bank continued to reinforce its portfolio of highly liquid assets eligible for discounting at Central Banks, with the total reaching Euro 16.5 billion, as of 30 June 2010.

Following the disclosure of the results of the stress tests applied to major European banks, the Chairman mentioned that they served mainly to enhance the confidence of the customers and of the market in the Portuguese financial system.

Commenting on Millennium bcp results, the Chairman mentioned that:

Consolidated net income totalled Euro 163.2 million in the first half of 2010, an increase of 10.7% compared with the same period in 2009, benefiting from the consistent recovery of banking income, which grew 12.6%.

In addition, the Chairman underlined a number of aspects that deserved particular attention during the first half of 2010:

- i) Customer funds rose 1.2%, reaching Euro 65,632 million. In the international operations, customer funds grew 5.1%, compared with the same period of 2009;
- ii) Loans to customers increased 1.5%, with mortgage loans rising 4.8% year-on-year. In the international activity, loans to customers grew 10.0%, compared with the first six months of 2009;
- iii) Net interest income continued the upward trend initiated in the second quarter of 2009, increasing 4.4%, with a strong recovery at the international operations, which rose 43.9% on a yearly basis;
- iv) Commissions presented a very positive result both in the domestic and in international activity, increasing 11.8% and 30.1%, respectively, and registering growth of 16.8% on a consolidated basis, compared with the figures registered in the first half of 2009;
- v) Operating costs remained controlled, showing stability on a consolidated basis and a 4.5% reduction in Portugal, year-on-year;
- vi) Cost-to-income ratios showed significant improvement, with the consolidated and domestic Cost-to-income totalling 52.2% and 46.2%, respectively, in the first six months of 2010;

Relating to the international operations, the Chairman of the Executive Board of Directors emphasised:

- i) The continuing strategy designed to increase the Bank's presence in the Asia-Pacific region, especially in China, exemplified by: the authorisation granted to Millennium bcp for the development of banking activities in Macao through a fully licensed branch (onshore) and the cooperation agreements signed between Millennium bcp and ICBC Macau;
- ii) The increasing weight of contribution from international operations to the consolidated income, which grew from 6.0% in the first half 2009 to 15.5% at the end of this half-year;
- iii) The strong results achieved by the Polish operation, driven by the sustained growth of net interest income and commissions, with banking income registering 14.7% growth on a yearly basis. The performance of the Polish operation has led to a significant increase in the return for shareholders, with ROE reaching 7.7% in June 2010, compared with the 1.5% registered in June 2009;
- iv) The operations in Angola and Mozambique presented net earnings amounting to Euro 39.6 million, corresponding to an 18.3% growth year-on-year.

Concluding the presentation, the Chairman highlighted that Millennium bcp is a solid, adequately capitalized and resilient Bank, even in extreme and challenging scenarios.

In accordance with the agreement established for the sale of 95% of Millennium Bank AS in Turkey and the sale of all the branches and the respective deposits portfolio of Millennium bcpbank in the United States of America (USA), and in accordance with IFRS 5, as at 30 June 2010 the total assets and liabilities of these subsidiary companies will be presented, respectively, in the item of "Non current assets held for sale" and "Non current liabilities held for sale" in the Consolidated balance sheet, while the total expenses and income for the year will be represented line by line in the consolidated income statement. Until the date of sale, the Group continues to consolidate, in reserves and income, any changes occurred in the net assets of Millennium bank Turkey and Millennium bcpbank USA.

RESULTS

Millennium bcp's consolidated net income amounted to Euro 163.2 million in the first half of 2010, compared to Euro 147.5 million in the same period of 2009. Net income in the first half of 2010 includes the recognition of an impairment associated to the goodwill of Millennium bank in Greece, in the amount of Euro 73.6 million, while net income in the first half of 2009 includes the gain accounted from the entry of new shareholders in Banco Millennium Angola's share capital, amounting to Euro 21.2 million. Excluding these impacts, net income increased 87.5%, supported by the increase in net operating revenues, in particular in net trading income, net commissions, net interest income and dividends received, as well as by the cost containment, which benefited from the decrease in staff costs, in particular in pension fund costs, despite the reinforcement of the level of loan losses impairment charges.

Net income in Portugal totalled Euro 137.9 million in the first half of 2010, compared to Euro 138.7 million in the first half of 2009. Net income in Portugal includes the impacts previously mentioned of the recognition of an impairment associated with the operation in Greece, in the first half of 2010, and the gain accounted related with the shareholding in Banco Millennium Angola, in the first half of 2009. Excluding these impacts, net income in Portugal was up by 80.0% from the first half of 2009. This performance was sustained by the increase in net operating revenues and by the simultaneous reduction in operating costs, despite the reinforcement of the level of charges for loan loss impairment. Quarterly, it is worth noting the growth in net operating revenues, from the first quarter of 2010, supported by the performance of major income items, in particular of net interest income and of net trading income.

In the international activity, net income amounted to Euro 25.3 million in the first half of 2010, which compares with Euro 8.8 million posted in the same period of 2009. This rise was boosted by the increase in net operating revenues, in particular in net interest income and net commissions, partially offset by higher operating costs at Banco Millennium in Angola, as a result of the expansion plan underway, and in Bank Millennium in Poland, mostly due to the exchange rate appreciation of the Zloty against the Euro. The evolution in the net income from the international activity benefited from the performance achieved in most foreign operations, in particular in Poland, Mozambique and Angola.

Net interest income grew by 4.4%, to Euro 705.0 million in the first half of 2010, up from Euro 675.6 million posted in the same period of 2009. The increase in net interest income, despite being restrained by the unfavourable interest rate effect, due to the decrease in customers' interest rates, following the declining trend of reference market interest rates, was favourably influenced by the positive volume effect, both in the activity in Portugal and the international activity. On a quarterly basis, net interest income in Portugal achieved, in this last quarter, the best performance since the second quarter of 2009. In the international activity, the growth in net interest income was boosted by the favourable interest rate effect, mostly sustained by the performance achieved by Bank Millennium in Poland. In addition, it is worth noting, the positive contributions from the subsidiary companies in Angola and Romania, as well as from Millennium bim in Mozambique, which, excluding the exchange rate devaluation of the Metical against the Euro, showed a positive evolution in net interest income.

The net interest margin stood at 1.61% in the first half of 2010, the same level as in the first half of 2009. On a quarterly basis, net interest income has been improving since the second quarter of 2009, benefiting

from the evolution in spreads from customer operations, measured by the difference between average interest rates from loans to customers and average interest rates from customer funds, as a result of the progressive repricing carried out in the loans to customers operations, reflecting the adjustment in the implicit cost of risk of loans granted.

AVERAGE BALANCES

Euro million	1H 10		1H 09	
	Balance	Yield %	Balance	Yield %
Deposits in banks	3,883	1.21	3,805	2.33
Financial assets	7,482	3.77	4,301	5.41
Loans and advances to customers	74,852	3.43	75,307	4.71
	<u>86,217</u>		<u>83,413</u>	
Non current assets held for sale	924	6.84	--	--
Interest earning assets	<u>87,141</u>	3.40	<u>83,413</u>	4.64
Non interest earning assets	<u>9,969</u>		<u>10,496</u>	
	<u>97,110</u>		<u>93,909</u>	
Amounts owed to credit institutions	10,483	1.54	8,698	3.37
Amounts owed to customers	45,888	1.91	43,825	2.86
Debt issued and financial liabilities	28,306	1.47	29,896	2.90
Subordinated debt	2,338	2.94	2,618	4.42
	<u>87,015</u>		<u>85,037</u>	
Non current liabilities held for sale	838	4.33	--	--
Interest bearing liabilities	<u>87,853</u>	1.77	<u>85,037</u>	2.97
Non interest bearing liabilities	2,031		2,692	
Shareholders' equity and minority interests	<u>7,226</u>		<u>6,180</u>	
	<u>97,110</u>		<u>93,909</u>	
Net interest margin ⁽¹⁾		1.61		1.61

(1) Net interest income as a percentage of average interest earning assets.

Note: Interest related to hedge derivatives were allocated, in the first half of 2010 and in the first half of 2009, to the respective balance item.

Net commissions improved by 16.8% to Euro 405.0 million in the first half of 2010 from Euro 346.6 million in the same period in 2009. The rise in net commissions was driven by the favourable evolution in net commissions more directly associated with the banking business, in particular commissions related to the distribution of insurance products through the Bank's commercial networks (bancassurance), as well as from the growth in net commissions related with financial markets. The favourable performance in net commissions benefited from the positive evolution achieved in both the activity in Portugal (+11.8%) and in the international activity (+30.1%), highlighting the subsidiary companies in Poland, Angola, Switzerland and Greece. On a quarterly basis, net commissions in Portugal exceeded Euro 140 million in the second quarter of 2010, achieving the highest quarterly amount since the third quarter of 2007.

Net trading income, which comprises net gains arising from trading and hedging activities and net gains arising from available for sale financial assets, stood at Euro 314.6 million in the first half of 2010, compared to Euro 214.1 million in the first half of 2009, mostly influenced by the activity in Portugal. Net trading income from the activity in Portugal, booked in the first half of 2010, includes the debt valuation adjustment, as well as the results from foreign exchange, trading and hedging activities. Net trading income from the international activity were hindered by the effect of the revaluation of derivative financial

instruments posted by Bank Millennium in Poland, despite the improvement in the foreign exchange activity registered by the subsidiary companies in Mozambique and in Angola.

Other net operating income, which includes other operating income, other net income from non banking activities and gains from the sale of subsidiaries and other assets, totalled Euro 15.1 million in the first half of 2010 (Euro 51.1 million in the same period of 2009). In the first half of 2009, other net income in the activity in Portugal included the gain related to the dispersal of 49.9% of Banco Millennium Angola's share capital, in the amount of Euro 21.2 million. Excluding this impact, other net operating income was mainly influenced by lower results from services provided and from the sale/revaluation of real estate.

Dividends from equity instruments, which include dividends received on investments in available for sale financial assets, were up to Euro 19.1 million in the first half of 2010, compared to Euro 3.1 million, in the same period of 2009, and reflect essentially the dividends received associated with the shareholding in Eureko.

Equity accounted earnings stood at Euro 28.9 million in the first half of 2010, and include, fundamentally, the appropriation of the earnings associated to the 49% shareholding in Millenniumbcp ageas (formerly Millenniumbcp Fortis), which registered a favourable performance from the same period in 2009 and reached to Euro 27.6 million, in the first half of 2010.

OTHER NET INCOME

<i>Euro million</i>	1H 10	1H 09	Change 10/09
Net commissions			
Banking commissions			
Cards	89.8	90.4	-0.6%
Credit and guarantees	85.4	87.7	-2.6%
Bancassurance	37.2	25.1	48.5%
Other commissions	111.7	86.3	29.2%
Subtotal banking commissions	<u>324.1</u>	<u>289.5</u>	11.9%
Market related commissions			
Securities	54.3	35.4	53.6%
Asset management	26.6	21.7	22.4%
Subtotal market related commissions	<u>80.9</u>	<u>57.1</u>	41.7%
Total net commissions	<u>405.0</u>	<u>346.6</u>	16.8%
Net trading income	314.6	214.1	46.9%
Other net operating income ⁽¹⁾	15.1	51.1	-70.4%
Dividends from equity instruments	19.1	3.1	
Equity accounted earnings	28.9	30.9	-6.6%
Total other net income	<u>782.7</u>	<u>645.8</u>	21.2%
Other income / Net operating revenues ⁽²⁾	52.6%	48.9%	

⁽¹⁾ Includes in the first half of 2009 the gain booked related to the dispersal of 49.9% of Bank Millennium Angola's share capital, amounting to Euro 21.2 million.

⁽²⁾ Calculated according to rule 16/2004 from the Bank of Portugal.

Operating costs, which include staff costs, other administrative costs and depreciation, totalled Euro 776.9 million in the first half of 2010, compared to Euro 775.2 million in the same period in 2009 (+0.2%), influenced by other administrative costs, despite the reduction in staff costs and the decrease in depreciation. The evolution in operating costs was restrained by the performance in the international activity, in particular in Banco Millennium Angola, due to expansion plan underway, and in Bank Millennium

in Poland, reflecting mostly the exchange rate appreciation of the Zloty against the Euro, notwithstanding the lower operating costs posted by Millennium bank in Greece and Banca Millennium in Romania. Consolidated operating costs were favourably influenced by the drop of 4.5% achieved by the activity in Portugal, from the first half of 2009, sustained by the reductions in staff costs and in depreciation.

The consolidated cost-to-income ratio, on a comparable basis, stood at 52.2% in the first half of 2010, improving by 7.4 p.p. from 59.6% in the first half of 2009. In the activity in Portugal, the cost-to-income ratio in the first half of 2010 stood at 46.2%, benefiting from both the initiatives implemented to restrain operating costs and the emphasis on increasing income. In the international activity, the cost-to-income ratio improved by 5.7 p.p., from the first half of 2009, driven by the improvements achieved in most geographies.

Staff costs reduced 4.5%, to Euro 424.2 million in the first half of 2010, from Euro 444.2 million in the same period of 2009. The decrease in staff costs mostly reflects the lower costs related to the pension fund, despite the increase in salaries, influenced by the impact from higher annual salaries. The evolution in staff costs was determined by the 10.3% reduction in the activity in Portugal, which more than offset the 9.5% increase in the international activity, in particular in Bank Millennium in Poland, partially influenced by the exchange rate appreciation of the Zloty against the Euro, and in Banco Millennium Angola, determined by the increase in the number of employees, as a result of the expansion plan underway in this operation, notwithstanding the lower staff costs in Millennium bank in Greece and Banca Millennium in Romania.

Other administrative costs amounted to Euro 301.1 million in the first half of 2010, compared to Euro 278.7 million in the same period of 2009 (+8.0%), reflecting the evolution in both the activity in Portugal and the international activity. The performance of other administrative costs in the activity in Portugal was influenced by the increase in legal fees, consulting, outsourcing, energy and advertising and sponsorship. Nevertheless, it is worth noting the savings achieved in costs related with communications and travels. In the international activity, the evolution in other administrative costs reflects, mostly, the higher costs with rents, advertising and specialised services, associated with the expansion plans carried out in the subsidiary companies in Angola and in Mozambique. Nevertheless, other administrative costs showed a reduction in Bank Millennium in Poland, excluding the exchange rate appreciation of the Zloty against the Euro, benefiting from the impact of initiatives aimed at improving operating efficiency.

OPERATING COSTS

<i>Euro million</i>	1H 10	1H 09	Change 10/09
Staff costs	424.2	444.2	-4.5%
Other administrative costs	301.1	278.7	8.0%
Depreciation	51.6	52.3	-1.5%
	<u>776.9</u>	<u>775.2</u>	0.2%
Of which:			
Portugal activity	480.0	502.5	-4.5%
Foreign activity	296.9	272.7	8.9%
Operating costs / Net operating revenues ^{(1) (2)}	46.2%	54.6%	

(1) Activity in Portugal. Calculated according to rule 16/2004 from the Bank of Portugal.

(2) Excludes the impact of specific items.

Depreciation costs totalled Euro 51.6 million in the first half of 2010, a reduction of 1.5% from Euro 52.3 million posted in the same period of 2009. The drop in depreciation costs was mainly influenced by the activity in Portugal, in particular by depreciation related with equipments and buildings. This was partially offset by the higher level of depreciation posted in the international activity, as a result of the investments carried out in the scope of the strategy of organic growth developed in Angola, Mozambique and Romania.

Impairment for loan losses (net of recoveries) stood at Euro 384.2 million in the first half of 2010, compared to Euro 279.1 million in the same period of 2009. This evolution was determined by both the activity in Portugal and the international activity. In Portugal, the evolution of impairment for loan losses (net of recoveries) was constrained by the effects from the current financial and economic environment, with particular impact of higher impairment charges, aiming to cover the loan portfolio with impairment indicators. In the international activity, despite the reinforcement of the level of impairment charges posted by the operations in Greece, Switzerland, Angola and Mozambique, following, in these last operations, the expansion of the business portfolio. However, it is worth noting the favourable performance, from the same period of 2009, of Bank Millennium in Poland.

The cost of risk, measured by the ratio of impairment charges (net of recoveries) to the loan portfolio, stood at 98 b.p. in the first half of 2010 (72 b.p. in the first half of 2009).

Other impairment and provisions include other asset impairment, goodwill impairment and other provisions, in particular provision charges related to assets received as payment in kind not fully covered by collateral, and provisions charged for several risks and contingencies. Other impairment and provisions amounted to Euro 114.2 million in the first half of 2010, compared to Euro 60.9 million in the first half of 2009. This evolution is influenced by the recognition of an impairment, in the amount of Euro 73.6 million, in the second quarter of 2010, associated with the goodwill of Millennium bank in Greece, in anticipation to the revision of the current Business Plan, which was started by the Bank taking into account the deterioration of the economic situation in Greece, and in accordance with the Group's accounting policy and IAS 36. However, other impairment and provisions benefited from the lower level of impairment charges related to real estate, resulting from the termination of loan contracts with customers.

BALANCE SHEET

Total assets were up to Euro 98,993 million as at 30 June 2010, compared to Euro 93,786 million posted on the same date in 2009.

Loans to customers reached to Euro 78,176 million as at 30 June 2010, showing an increase of 1.5% from Euro 76,988 million (on a comparable basis) booked on 30 June 2009, reflecting mostly the increase of 3.7% in loans to individuals, which totalled Euro 34,875 million as at 30 June 2010, supported by the growth of 4.8% in mortgage loans. Loans to companies stood at Euro 43,301 million as at 30 June 2010, slightly decreasing from 30 June 2009, despite the rise in loans granted to the services sector.

The structure of the loan portfolio remained stable and diversified as at 30 June 2010, with loans to companies representing 55.4% of total loans portfolio and therefore the main component of loans to customers' portfolio, while loans to individuals represented 44.6% of total loans to customers.

The growth in loans to customers was mostly determined by the performance achieved in the international activity (+10.0% from 30 June 2009), sustained by both loans to individuals and loans to companies. This evolution was boosted by the increases showed by most international operations, in particular by Bank Millennium in Poland, boosted by the exchange rate appreciation of the Zloty against the Euro, as well as by the subsidiary companies in Mozambique, Angola, Greece and Romania. In the activity in Portugal, the performance in loans to customers (-0.6%) was mainly influenced by loans to companies, as loans to individuals showed growth from 30 June 2009, driven by the rise in mortgage loans.

LOANS TO CUSTOMERS

<i>Euro million</i>	30 Jun. 10	30 Jun. 09	Change 10 / 09
Individuals			
Mortgage loans	29,945	28,581	4.8%
Consumer loans	4,930	5,055	-2.5%
	<u>34,875</u>	<u>33,636</u>	3.7%
Companies			
Services	17,408	16,376	6.3%
Commerce	4,988	5,276	-5.5%
Other	20,905	21,700	-3.7%
	<u>43,301</u>	<u>43,352</u>	-0.1%
Subtotal	<u>78,176</u>	<u>76,988</u>	1.5%
Of which:			
Portugal activity	61,040	61,415	-0.6%
Foreign activity	17,136	15,573	10.0%
Loans associated with assets in the process of sale ⁽¹⁾	--	797	
Total	<u>78,176</u>	<u>77,785</u>	

(1) Millennium bank Turkey and Millennium bcpbank USA.

Credit quality, measured by the non-performing loan indicators, in particular overdue loans by more than 90 days as a percentage of total loans, stood at 2.7%, in line with the deterioration seen in the current phase of the economic cycle. The coverage ratio for loans overdue by more than 90 days stood at 105.1% as at 30 June 2010.

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AT 30 JUNE 2010

<i>Euro million</i>	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days / Total loans	Coverage ratio
Individuals				
Mortgage loans	169	185	0.6%	109.5%
Consumer loans	399	360	8.1%	90.2%
	<u>568</u>	<u>545</u>	1.6%	96.0%
Companies				
Services	489	526	2.8%	107.6%
Commerce	296	267	5.9%	90.1%
Other	793	918	3.8%	115.8%
	<u>1,578</u>	<u>1,711</u>	3.6%	108.4%
Total	<u>2,146</u>	<u>2,256</u>	2.7%	105.1%

Total customer funds showed an increase of 1.2%, on a comparable basis, to Euro 65,632 million as at 30 June 2010, from Euro 64,854 million posted on the same date in 2009. The growth in total customer funds benefited from the rise of 13.4% in off-balance sheet customer funds, partially offset by the evolution in balance sheet customer funds, hindered by debt securities, while customer deposits kept the same level as of 30 June 2009. The performance in off-balance sheet customer funds was sustained by the growth achieved in both capitalisation insurance (+15.4%) and assets under management (+8.8%), from 30 June 2009, despite the return, of the instability to financial markets and investor aversion to risk in the second quarter of 2010.

The favourable evolution in total customer funds was boosted by the 5.1% increase in international activity, supported by the performance from Bank Millennium in Poland, benefiting additionally from the exchange rate appreciation of the Zloty against the Euro, as well as the important effort to further increase customer funds at Millennium bim in Mozambique and Banco Millennium in Angola. In the activity in Portugal, total customer funds remained stable from the end of June 2009, essentially conditioned by the evolution in debt securities, which, however, was offset by growth in off-balance sheet customer funds.

TOTAL CUSTOMER FUNDS

<i>Euro million</i>	30 Jun. 10	30 Jun. 09	Change 10 / 09
Balance sheet customer funds			
Deposits	44,072	44,066	
Debt securities	4,883	6,083	-19.7%
	<u>48,955</u>	<u>50,149</u>	-2.4%
Off-balance sheet customer funds			
Assets under management	4,882	4,486	8.8%
Capitalisation insurance	11,795	10,219	15.4%
	<u>16,677</u>	<u>14,705</u>	13.4%
Subtotal	<u>65,632</u>	<u>64,854</u>	1.2%
Of which:			
Portugal activity	49,922	49,902	
Foreign activity	15,710	14,952	5.1%
Customer funds related to assets in the process of sale ⁽¹⁾	--	867	
Total	<u>65,632</u>	<u>65,721</u>	

(1) Millennium bank Turkey and Millennium bcpbank USA.

LIQUIDITY MANAGEMENT

The first six months of 2010 were characterized by a stabilisation trend in balance sheet customer funds. Despite the ability to capture and further increase customer deposits in the Retail network, liquidity management at Millennium bcp was conducted in a proactive manner, aiming to take advantage of opportunities to access alternative sources of funding, and continuously adapt to the condition of the interbank and international debt markets.

The implementation of the Group's financing plan defined for the first quarter of 2010, concerning wholesale funding, was in line with expectations, in particular, through a new securitisation operation, called "Tagus Leasing", in the amount of Euro 1.2 billion, and the successful placement of a 2-year fixed

rate debt issue in the amount of Euro 750 million and a 3-year floating rate debt issue in the amount of Euro 300 million, both under the Euro Medium Term Notes (EMTN) programme.

In the second quarter of 2010, the changes in financial market conditions, in particular a more restricted access to international debt markets and an increased cost of risk, strongly related to sovereign risk affecting some member states of the European Union, implied greater difficulties for financing for financial institutions in general, and restrained the implementation of the Group's liquidity plan defined for the period.

Despite the adverse environment, in the second quarter of 2010, Millennium bcp maintained adequate levels of liquidity, including through the use of Money Market and funding operations with the European Central Bank, and was able to significantly reinforce the pool of assets eligible as collateral in potential refinancing operations with Central Banks, which amounted to Euro 16.5 billion, as at 30 June 2010, compared with Euro 11.3 billion as at 31 March 2010, in the scope of "Oceanus Plan", which presents a sustainable model of medium-term liquidity for the Group.

CAPITAL

The capital ratios of the Group as at 30 June 2010 were determined in accordance with the Basel II guidelines, with the calculation of capital requirements following the standardised approach in respect to credit risk. During 2009, subsequent to the authorization from the Bank of Portugal, the Group applied the standard approach for operational risk and the internal models approach for generic market and foreign exchange risk, in the perimeter centrally managed from Portugal.

The **consolidated solvency ratio**, as at 30 June 2010, stood at 10.0%, with Tier I standing at 8.6%, above the minimum limit of 8% recommended by the Bank of Portugal.

In the scope of the application of Basel II methodologies for the calculation of capital requirements, adopted by the European Union through the EU directives, and transposed to Portuguese national law in 2007, Millennium bcp requested formal authorisation from the Bank of Portugal to implement the IRB approach for credit and counterparty risk.

Regarding the stage of the process under review by the Bank of Portugal concerning the use of the IRB approach, Millennium bcp calculated pro forma capital ratios according to the aforementioned IRB approach. According to this approach the estimated Tier I and total capital ratios reached 8.9% and 9.7%, respectively, as at 30 June 2010.

Core tier I was essentially influenced by the actuarial losses and the change in the amount of the pension fund corridor, determined in the first half of 2010, and by the negative effect related to the amortisation of the deferred adjustments authorised by the Bank of Portugal, related to the transition to IFRS, the mortality table of 2005 and the actuarial losses of 2008. The capital ratios presented do not include the effects related to the sale of the operations in Turkey and USA.

Additionally, risk weighted assets contributed favourably for the performance of capital ratios, given that they fell between 31 March 2010 and 30 June 2010, benefiting from the measures implemented to optimize and reinforce collaterals.

SOLVENCY

Euro million	Standardised		Pro forma IRB ⁽¹⁾	
	30 Jun. 10 ⁽²⁾	31 Mar. 10 ⁽²⁾	30 Jun. 10 ⁽²⁾	31 Mar. 10 ⁽²⁾
Own Funds				
Tier I Capital	5,333	6,019	5,288	5,869
of which: Preference shares and Perpetual subordinated debt securities with conditional coupons	1,882	1,935	1,930	1,935
Other deduction ⁽³⁾	(44)	(19)	(561)	(508)
Tier II Capital	1,216	1,403	651	913
Deductions to Total Regulatory Capital	(295)	(127)	(158)	(127)
Total Regulatory Capital	6,254	7,294	5,781	6,655
Risk Weighted Assets	62,359	64,610	59,527	60,723
Solvency Ratios				
Core Tier I	5.6%	6.4%	6.6%	7.3%
Tier I	8.6%	9.3%	8.9%	9.7%
Tier II	1.5%	2.0%	0.8%	1.3%
Total	10.0%	11.3%	9.7%	11.0%

(1) The presented pro forma ratios were calculated in accordance with the IRB methods, taking into consideration the revision process, by the Bank of Portugal (BoP), of the submission of the proposal to adopt these methods. Had been considered estimates of the probability of default and the lost given default (IRB Advanced) for the retail portfolio collateralized by commercial and residential real state, and estimates of the probability of default (IRB Foundation) for corporate portfolio, in Portugal. In the 1st semester of 2009, the Bank received authorization from BoP to adopt the advanced approaches (internal models) to the generic market risk and the adoption of the standard approach for the operational risk.

(2) The amounts and the ratios presented do not include the impacts from the sale of 95% of Millennium bank AS in Turkey, which will have an estimated impact on Tier I of around +6 b.p., and from the sale of the operation in the USA.

(3) Includes, in particular, deductions related to the shareholdings in Millenniumbcp Fortis and Banque BCP (France and Luxembourg).

SEGMENTAL REPORTING

Millennium bcp offers a wide range of banking activities and financial services in Portugal and abroad, focusing on Retail Banking, Companies, Corporate & Investment Banking and Private Banking & Asset Management.

Segment description

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

The Companies segment, in Portugal, which covers the financial needs of companies with an annual turnover between Euro 7.5 million and Euro 100 million, focused on innovation, offering a wide range of traditional banking products complemented by specialised financing. Within the scope of the cross-selling strategy, Companies also acts as a distribution channel for financial products and services of the Millennium bcp business areas as a whole.

The Corporate and Investment Banking segment includes: (i) the Corporate network in Portugal, targeting corporate and institutional customers with an annual turnover in excess of Euro 100 million, providing a complete range of value-added products and services; (ii) the Investment Banking unit specialised in capital markets, providing strategic and financial advisory, specialised financial services - Project finance, Corporate finance, Securities brokerage and Equity research - as well as structuring risk-hedging derivatives products; and (iii) the activity of the Bank's International Division.

The Private Banking and Asset Management segment, for business segments purpose, comprises the Private Banking network in Portugal and subsidiary companies specialised in the asset management business, as well as the activities of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands.

The Foreign Business segment, for the geographical segments purpose, comprise the operations outside Portugal, in particular Bank Millennium in Poland, Millennium bank in Greece, Banque Privée BCP in Switzerland, Banca Millennium in Romania, Millennium bim in Mozambique, Banco Millennium Angola in Angola and Millennium bcp Bank & Trust in the Cayman Islands. Millennium bank in Turkey and Millennium bcpbank in the United States of America are in the process of being sold. The Foreign Business segment, for the business segments purpose, comprise the Group operations outside of Portugal, excluding BCP Banque Privée in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands, which are included in the Private Banking & Asset Management segment.

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

Business segment activity

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

As the process of capital allocation follows the regulatory criteria of solvency in place, the risk weighted assets and, consequently, the business segments' capital allocation, were determined in accordance with the Basel II framework, applying the standard approach for calculating capital requirements for credit risks. In 2009, subsequent to the authorisation from the Bank of Portugal, the Bank adopted the standard approach for operational risk and the internal models approach for general market risk and foreign exchange risk, for the perimeter managed centrally from Portugal. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

To ensure comparability for this information the structural changes that occurred in the second half of 2009 and in the first half of 2010 in the organisation of the segments were reflected in the 2009 figures: Retail Banking and Business Banking were individualised, while Corporate was included in the Corporate & Investment Banking segment. A capital allocation of each business segment in the first half of 2010 was 6.5% and was considered, for comparative purposes, the same percentage of capital allocation as in the same period of 2009.

Each segment's net contribution reflects the individual results achieved by its business units, independent of the percentage held by the Group. The following information is based on financial statements prepared according to IFRS and on the organisational model in place for the Group, as at 30 June 2010.

Retail Banking

The net contribution from Retail Banking in Portugal stood at Euro 78.4 million in the first half of 2010, showing an increase of 5.5% from Euro 74.4 million in the first half of 2009, as a result of the growth in commissions, the decrease in impairment charges and the reduction in operating costs, which more than offset the decline in net interest income.

The reduction in impairment charges resulted from a joint effort between the areas of loan granting and loan recovery. Net commissions showed a favourable evolution from the first half of 2009, in particular in commissions related to deposits, mortgage lending, consumer credit and risk insurance. Operating costs were down from the first half of 2009, driven by the measures implemented to simplify organization and to optimize processes, as well as by the reduction in the number of employees.

The evolution in net interest income includes the effect from the reduction in net interest income from deposits and credit, determined by both the drop in the volume of loans to customers and the lower spreads in operations with customers.

Customer deposits were up by 5.7% sustained by the strategy designed to further increase customer funds, in both demand and term deposits, offsetting the reduction in debt securities, and led to an increase in total customer funds, from Euro 34,556 million as at 30 June 2009, to Euro 36,262 million as at 30 June 2010.

Loans to customers eased 2.7% to Euro 34,187 million as at 30 June 2010, compared to Euro 35,123 million posted on the same date in 2009, influenced by the reduction in mortgage lending, loans for property development and consumer credit.

<i>Euro million</i>	30 Jun. 10	30 Jun. 09	Change 10 / 09
Profit and loss account			
Net interest income	265.2	357.6	-25.8%
Other net income	224.9	210.0	7.1%
	490.1	567.5	-13.7%
Operating costs	335.3	367.3	-8.7%
Impairment	48.0	99.0	-51.6%
Contribution before income taxes	106.8	101.2	5.6%
Income taxes	28.4	26.8	5.9%
Net contribution	78.4	74.4	5.5%
Summary of indicators			
Allocated capital	1,298	1,368	-5.1%
Return on allocated capital	12.2%	11.0%	
Risk weighted assets	19,972	21,040	-5.1%
Cost to income ratio	68.4%	64.7%	
Loans to customers	34,187	35,123	-2.7%
Total customer funds	36,262	34,556	4.9%

Note: Loans to customers and customer funds on monthly average balances.

Companies

The net contribution of Companies in Portugal stood at Euro 5.5 million in the first half of 2010, compared with Euro 21.7 million in the first half of 2009. The performance of this segment was determined by the increase in impairment charges, despite the stabilisation in other net income.

Other net income grew by 54.8% from the first half of 2009, influenced by the favourable performance in commissions, in particular commissions related to financial services and loans. This increase offset the lower net interest income from deposits and loans, which was determined by the decrease in spreads from operations with customers. Quarterly, net interest income showed an upward trend in the second quarter of 2010, from the two previous quarters, as a result of the repricing policy implemented in loans operations, in order to adequately reflect the increased implicit cost of risk from refinancing operations to new loans granted.

The increase in impairment charges posted in the first half of 2010, when compared with the same period in 2009, resulted from the higher levels in terms of non-performing loans and the devaluation of collateral following the fall in capital markets.

Customer deposits decreased by 7.1%, conditioned by the current economic and financial cycle, leading to a decrease in total customer funds of 10.8% from Euro 1,893 million as at 30 June 2009 to Euro 1,689 million as at 30 June 2010.

Loans to customers fell 7.1% to Euro 10,214 million as at 30 June 2010, compared to Euro 10,997 million posted on the same date in 2009, influenced by the reduction in the funding in national currency, in loans for property development and in medium- and long-term credit.

<i>Euro million</i>	30 Jun. 10	30 Jun. 09	Change 10 / 09
Profit and loss account			
Net interest income	85.0	100.0	-15.0%
Other net income	41.1	26.6	54.8%
	126.1	126.5	-0.3%
Operating costs	29.6	28.6	3.7%
Impairment	89.0	68.4	30.0%
Contribution before income taxes	7.5	29.5	-74.5%
Income taxes	2.0	7.8	-74.5%
Net contribution	5.5	21.7	-74.5%
Summary of indicators			
Allocated capital	643	733	-12.3%
Return on allocated capital	1.7%	6.0%	
Risk weighted assets	9,892	11,274	-12.3%
Cost to income ratio	23.5%	22.6%	
Loans to customers	10,214	10,997	-7.1%
Total customer funds	1,689	1,893	-10.8%

Note: Loans to customers and customer funds on monthly average balances.

Corporate & Investment Banking

The Corporate and Investment Banking segment showed a net contribution of Euro 14.9 million in the first half of 2010, compared to Euro 71.0 million posted in the first half of 2009. The performance of this segment was determined by the higher impairment charges in the Corporate network, due to the collateral devaluation, despite the favourable performance in other net income and in operating costs.

Net operating income showed a favourable trend and grew 6.9%, benefiting from the increase in commissions associated with credit for signature, bonds and commercial paper. Net interest income was hindered by the unfavourable interest rate effect, resulting from the decrease in the spreads in operations with customers, despite the positive volume effect in loans to customers.

Operating costs also showed a favourable evolution, decreasing from the first half of 2009, and showing sustained savings, as well as synergies associated with the process of merging of Banco Millennium bcp Investimento into Banco Comercial Português.

Total customer funds decreased 6.3% to Euro 10,970 million as at 30 June 2010, compared to Euro 11,713 million posted on 30 June 2009, as a result of the decrease in customer deposits, affected by the demobilization of some institutional clients.

Loans to customers amounted to Euro 13,445 million at end of June 2010, decreasing 4.9% from Euro 12,820 million at end of June 2009, sustained by financing in national currency.

<i>Euro million</i>	30 Jun. 10	30 Jun. 09	Change 10 / 09
Profit and loss account			
Net interest income	93.7	105.9	-11.5%
Other net income	94.9	88.8	6.9%
	188.7	194.7	-3.1%
Operating costs	37.3	40.5	-8.1%
Impairment	131.1	56.6	131.6%
Contribution before income taxes	20.3	97.5	-79.2%
Income taxes	5.4	26.5	-79.7%
Net contribution	14.9	71.0	-79.0%
Summary of indicators			
Allocated capital	924	950	-2.8%
Return on allocated capital	3.3%	15.1%	
Risk weighted assets	14,211	14,616	-2.8%
Cost to income ratio	19.8%	20.8%	
Loans to customers	13,445	12,820	4.9%
Total customer funds	10,970	11,713	-6.3%

Note: Loans to customers and customer funds on monthly average balances.

Private Banking & Asset Management

The Private Banking and Asset Management segment posted a net loss of Euro 9.4 million in the first half of 2010 compared with a net loss of Euro 6.1 million in the first half of 2009. This evolution reflects the decrease in net interest income due to the reduction in spreads of deposits and credit to customers, and the increased financing cost as a result of developments in financial markets. The decrease in other net income, arising from the performance of International Private Banking, is associated with the decrease in commissions related to financing in foreign currency and to securities deposited.

Operating costs showed a favourable performance, from the first half of 2009, benefiting from the decrease in other administrative costs, mainly influenced by consulting costs.

Total customer funds were up by 5.2% from 30 June 2009, supported by growth of 27.3% in debt securities and of 7.3% in assets under management.

Loans to customers amounted to Euro 1,307 million as at 30 June 2010, compared to Euro 2,298 million as at 30 June 2009, as a result of the reduction in loans to customers from Private Banking in Portugal, partially associated to financing in local currency.

<i>Euro million</i>	30 Jun.10	30 Jun. 09	Change 10 / 09
Profit and loss account			
Net interest income	12.0	21.0	-42.5%
Other net income	13.1	14.5	-9.8%
	25.1	35.5	-29.2%
Operating costs	17.5	18.3	-4.7%
Impairment	20.6	20.9	-1.2%
Contribution before income taxes	-13.0	-3.8	--
Income taxes	-3.6	2.4	--
Net contribution	-9.4	-6.1	-52.5%
Summary of indicators			
Allocated capital	59	93	-36.3%
Return on allocated capital	-32.0%	-13.4%	
Risk weighted assets	907	1,423	-36.3%
Cost to income ratio	69.5%	51.7%	
Loans to customers	1,307	2,298	-43.1%
Total customer funds	7,018	6,671	5.2%

Note: Loans to customers and customer funds on monthly average balances.

Foreign Business

The net contribution of the Foreign Business segment totalled Euro 46.1 million, compared to Euro 26.3 million in the first half of 2009. The evolution of the net contribution (+75.0%) reflects the increase in operating income, mainly boosted by net interest income (+48.7%), benefiting from the volume and interest rate effect, mainly supported by the performance achieved in the operation developed in Poland, highlighting as well positive contributions from the subsidiary companies in Angola, Romania and Mozambique, excluding the depreciation of the Metical against the Euro.

The higher level of impairment posted in the Foreign Business segment (+40.2% from the first half of 2009) was determined by the operations developed in Greece, Switzerland, Angola and Mozambique, despite the positive performance recorded in Poland.

Operating costs increased by 8.9%, due to the growth in staff and administrative costs in Poland, mainly reflecting the effect of the exchange rate appreciation of the Zloty against the Euro, and in Angola, related to the organic growth strategy carried out on this market. Nevertheless, operating costs were partially mitigated by the performance in Greece and Romania.

Loans to customers were up by 9.1% to Euro 16,599 million as at 30 June 2010, boosted by the performance in loans to individuals, and reflecting the growth in most foreign operations, in particular Angola and Mozambique.

Total customer funds increased 6.4% to Euro 15,746 million as at 30 June 2010, driven by the increase in customer deposits, which grew 3.8%, as well as the increase in assets under management.

<i>Euro million</i>	30 Jun. 10	30 Jun. 09	Change 10 / 09
Profit and loss account			
Net interest income	251.8	169.3	48.7%
Other net income	189.7	199.2	-4.8%
	441.5	368.5	19.8%
Operating costs	296.9	272.7	8.9%
Impairment and provisions	88.3	62.9	40.2%
Contribution before income taxes	56.3	32.9	71.3%
Income taxes	10.2	6.5	56.6%
Net contribution	46.1	26.3	75.0%
Summary of indicators			
Allocated capital	1,406	1,308	7.5%
Return on allocated capital	6.6%	4.1%	
Risk weighted assets	14,754	14,262	3.5%
Cost to income ratio	67.3%	74.0%	
Loans to customers	16,599	15,215	9.1%
Total customer funds (1)	15,746	14,804	6.4%

(1) Excludes Millennium bank Turkey and Millennium bcpbank USA in 2010 and in 2009.

SIGNIFICANT EVENTS

The implementation of a systematized plan to face the difficulties associated with the dysfunctional behaviour of financial markets, with an emphasis on very prudent funding management, the increase in the eligible assets pool for discount with the European Central Bank and the measures to control the commercial gap; the continuing effort to re-price loans and increase commissions, seeking to increase core revenues; the cost control initiatives; the optimization of risk-weighted assets; the strengthening of the policy of proximity to customers and the continued expansion in affinity markets, were the main events in the second quarter of 2010. Of special note:

- Millennium bcp commemorated its 25th anniversary on the date of the bank's deed of incorporation and the first General Meeting of Shareholders, held on June 25, 1985. Millennium bcp was the first private Portuguese bank created from the ground up after the Revolution of 1974, and from the start focused on building a new and modern bank, with quality service that was truly different from its competitors;
- Millennium bcp held its Annual General Meeting with 51.51% of the share capital represented. Among the main resolutions adopted were several amendments to the Bank's By Laws, which were designed to: updated the bylaws because of changes in the Companies Code; include the pension scheme for Executive Board Members, due to age or disability at the expense of the society; and, by proposal of several shareholders, increase the voting rights limit from 10% to 20% of share capital. Shareholders also approved the change in composition and number of members of the Executive Board of Directors. The Annual General Meeting also approved the Annual Report and Accounts for the year 2009, and the payment of a dividend of 0.019 euros per share;
- Conclusion of the works of a specialised project team dedicated to the identification and implementation of the measures to improve revenue, which developed a set of activities related to the revision and alignment of pricing lists, leakage monitoring and discounts and the discrimination of pricing and refinancing of mortgage loan operations;
- Authorization granted by the Government of the Special Administrative Region of Macau for Millennium bcp to provide banking services in Macau using a Full Branch Licence as of May 11, 2010. The shift in positioning of Millennium bcp in Macau from an Offshore Branch to an Onshore Branch is part of a strategy to boost the bank's presence in the Asia-Pacific region, with emphasis on China;
- Continuation of the branch network expansion plan in Mozambique and Angola, with 3 and 2 new branches opened, respectively, raising the number branches in these two countries to 119 and 28, respectively, at the end of June 2010;
- Conclusion of a cooperation agreement with the Industrial and Commercial Bank of China - Macau, allowing Millennium bcp customers who are Chinese immigrants in Portuguese-speaking countries where Millennium bcp is active to send remittances to China under more favorable terms;
- The launch in conjunction with the European Investment Bank, of a credit line to businesses for a total amount of Euro 50 million, with the aim of financing Small and Medium Enterprises' projects, with an emphasis on financing leasing projects of Portuguese companies, but extended to companies in other European countries where Millennium is active;
- Millennium Meetings in Portalegre, on 19 and 20 April, in Beja, on 4 and 5 May, and in Vila Real, on 6 and 7 July under the strategy of strengthening Millennium bcp's institutional and commercial dynamism;
- In the area of Sustainability and Social Responsibility it is worth mentioning: (i) the distinction of Millennium bcp with the title of Honorary Member of the Portuguese Association Against Leukaemia for supporting the fight against leukaemia in Portugal, the Bank sponsored the Biennial Gala fundraiser for this Association; (ii) organisation by Millennium bcp's microcredit network, in association with the European Microfinance Network, an NGO founded in 2003, and the National Association for the Right to Credit, of the 11th Interchange Visit of European Microfinance Network, the first being held in Portugal, (iii) participation of Millennium bcp's microcredit network in

(IN)FORMA 2010, for the 4th year in a row, an event that aims to disseminate proposals for employment and training, and promote entrepreneurship among populations with high levels of unemployment and at risk of social exclusion; (iv) signing of a cooperation protocol with the Youth Foundation with the aim of delivering microcredit to young people, supporting them in the transition from the university to the labour market, and (v) Millennium bcp's participation in the European Night of Museums initiative as well as association to International Museum Day;

- Award of two "Excellence in Communication", in the scope of the "Grande Prémio APCE 2010", an annual initiative of the Portuguese Association of Corporate Communication, which seeks to distinguish excellence in organizational communication strategy. Millennium won in the "Management Report" (with the 2008 Report and Accounts) and "Training Course" (with the "Changing IT" program) categories;
- Distinction of Banco Millennium Angola as a "Mark of Excellence in Angola 2009/10" by the international organization Superbrands;
- "Best Bank in Mozambique in 2010" award granted to Millennium bcp by Global Finance magazine;
- Standard & Poor's Ratings Services, after the downgrade in the rating on the Portuguese Republic by two notches from "A +" to "A-", lowered the ratings assigned to various Portuguese banks and subsidiaries in Portugal of foreign banks, assigning them all a negative outlook. The long-term counterparty credit rating on Banco Comercial Português, S.A. was lowered to "BBB +" from "A-", while the short-term counterparty credit rating was affirmed at "A-2";
- On July 2, Armando Vara resigned from his functions as Member and Vice-Chairman of the Executive Board of Directors, at his own request, without prejudice to the full respect for the presumption of innocence, due to the unexpected delay of the legal proceedings, which motivated his request to suspend these functions;
- On July 6, Millennium bcp celebrated 10 years since the launch of its integrated financial portal for private individuals and companies, known as "millenniumbcp.pt" and created with the aim of serving all customers via the Millennium Group's internet website and through a single brand;
- On July 8, Millennium bcp was distinguished with the "Best Annual Report 2009 - Financial sector" award at the 24th edition of Investor Relations & Governance Awards, an initiative of consultants Deloitte and the Diário Económico newspaper;
- On July 14, the Moody's Rating Agency, stated that, following the review of the Republic of Portugal's rating by two notches, from "Aa2" to "A1", it decided to downgrade the deposits rating of BCP also by two notches, from "A1" to "A3". Moody's affirmed BCP's Bank Financial Strength Rating, at "D+" and the Baseline Credit Assessment ("Baa3"), which depend exclusively on factors intrinsic to the Bank;
- On July 21, Fitch Rating Agency announced that it has concluded the revision process of ratings for five Portuguese Banks, resulting, as for Banco Comercial Português, in the revision the long-term rating from "A+" to "A", in the reaffirmation of the short-term rating at "F1" and maintenance of a negative outlook;
- On July 23 the results of the stress tests in Europe, coordinated by the CEBS (Committee of European Banking Supervisors), in cooperation with the European Central Bank and the Bank of Portugal, were released. The design of scenarios and execution of the test were the sole responsibility of the supervisors involved. The threshold imposed for the Tier I ratio in the stress scenario, was demanding, at 6% -- 2% above the 4% minimum required by the Bank of Portugal. According to the results, the Bank's Tier I ratio evolves from 9.3% in December 2009 to 8.4% in December 2011, under the most adverse scenario. The results obtained by Millennium bcp are positive, showing that the bank is solid, adequately capitalized and resilient, even in extreme scenarios.

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

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

First six months figures for 2009 and 2010 were subject to a limited revision by External Auditors.

BANCO COMERCIAL PORTUGUÊS

**Consolidated Income Statement
for the six months period ended 30 June, 2010 and 2009**

	<u>30 June 2010</u>	<u>30 June 2009</u>
	(Thousands of Euros)	
Interest income	1,636,856	1,991,263
Interest expense	<u>(931,897)</u>	<u>(1,315,700)</u>
Net interest income	704,959	675,563
Dividends from equity instruments	19,087	3,108
Net fees and commission income	404,991	346,635
Net gains / losses arising from trading and hedging activities	319,980	221,912
Net gains / losses arising from available for sale financial assets	(5,423)	(7,787)
Other operating income	<u>9,091</u>	<u>20,774</u>
	1,452,685	1,260,205
Other net income from non banking activity	<u>8,564</u>	<u>8,818</u>
Total operating income	1,461,249	1,269,023
Staff costs	424,214	444,162
Other administrative costs	301,094	278,699
Depreciation	<u>51,552</u>	<u>52,329</u>
Operating costs	<u>776,860</u>	<u>775,190</u>
	684,389	493,833
Loans impairment	(384,177)	(279,056)
Other assets impairment	(20,393)	(41,824)
Goodwill impairment	(73,565)	-
Other provisions	<u>(20,266)</u>	<u>(19,118)</u>
Operating profit	185,988	153,835
Share of profit of associates under the equity method	28,887	30,944
Gains / (losses) from the sale of subsidiaries and other assets	<u>(2,554)</u>	<u>21,466</u>
Profit before income tax	212,321	206,245
Income tax		
Current	(28,508)	(56,842)
Deferred	<u>6,761</u>	<u>10,904</u>
Profit after income tax	<u>190,574</u>	<u>160,307</u>
Attributable to:		
Shareholders of the Bank	163,240	147,480
Minority interests	<u>27,334</u>	<u>12,827</u>
Profit for the period	<u><u>190,574</u></u>	<u><u>160,307</u></u>

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 June, 2010 and 2009 and 31 December, 2009

	30 June 2010	31 December 2009	30 June 2009
	(Thousands of Euros)		
Assets			
Cash and deposits at central banks	1,149,109	2,244,724	2,041,485
Loans and advances to credit institutions			
Repayable on demand	1,016,118	839,552	537,870
Other loans and advances	1,239,636	2,025,834	2,255,496
Loans and advances to customers	75,920,346	75,191,116	75,854,735
Financial assets held for trading	3,671,978	3,356,929	3,337,301
Financial assets available for sale	2,570,369	2,698,636	2,086,423
Assets with repurchase agreement	74,609	50,866	43,514
Hedging derivatives	581,780	465,848	383,388
Financial assets held to maturity	5,834,514	2,027,354	1,333,660
Investments in associated companies	428,233	438,918	374,688
Non current assets held for sale	1,922,777	1,343,163	824,433
Investment property	418,616	429,856	427,417
Property and equipment	625,690	645,818	708,151
Goodwill and intangible assets	463,403	534,995	539,831
Current tax assets	31,312	24,774	24,161
Deferred tax assets	605,886	584,250	586,795
Other assets	2,438,912	2,647,777	2,427,123
	<u>98,993,288</u>	<u>95,550,410</u>	<u>93,786,471</u>
Liabilities			
Amounts owed to central banks	11,584,409	3,409,031	1,270,014
Amounts owed to others credit institutions	5,194,916	6,896,641	6,256,064
Amounts owed to customers	44,072,444	46,307,233	44,852,968
Debt securities	19,573,724	19,953,227	21,683,547
Financial liabilities held for trading	1,495,234	1,072,324	1,297,701
Other financial liabilities held for trading			
at fair value through results	4,687,815	6,345,583	7,910,876
Hedging derivatives	395,806	75,483	93,550
Non current liabilities held for sale	969,040	435,832	-
Provisions for liabilities and charges	254,605	233,120	228,965
Subordinated debt	1,988,449	2,231,714	2,519,439
Current income tax liabilities	2,028	10,795	1,422
Deferred income tax liabilities	4,107	416	370
Other liabilities	1,471,084	1,358,210	1,279,560
	<u>91,693,661</u>	<u>88,329,609</u>	<u>87,394,476</u>
Equity			
Share capital	4,694,600	4,694,600	4,694,600
Treasury stock	(88,721)	(85,548)	(73,141)
Share premium	192,122	192,122	183,276
Preference shares	1,000,000	1,000,000	1,000,000
Other capital instruments	1,000,000	1,000,000	300,000
Fair value reserves	46,965	93,760	29,377
Reserves and retained earnings	(165,128)	(243,655)	(221,336)
Profit for the period attributable to Shareholders	163,240	225,217	147,480
	<u>6,843,078</u>	<u>6,876,496</u>	<u>6,060,256</u>
Total Equity attributable to Shareholders of the Bank			
Minority interests	456,549	344,305	331,739
	<u>7,299,627</u>	<u>7,220,801</u>	<u>6,391,995</u>
Total Equity	<u>98,993,288</u>	<u>95,550,410</u>	<u>93,786,471</u>