

29 July 2009

Millennium bcp earnings release for the first half of 2009

HIGHLIGHTS

- Consolidated net income of Euro 147.5 million in the 1st half of 2009
- Reinforcement of Tier I ratio to 8.0% and solvency ratio to 11.1%
- Pension fund: change in the actuarial assumptions and in the conditions for the benefits of the fund with defined contribution and for the fund with defined benefit
- Consolidated net income of Euro 147.5 million in the first half of 2009, up by 45.5% compared with the same period of 2008;
- Tier I and Core Tier I up to 8.0% and to 6.2%, respectively, and the solvency ratio to 11.1%;
- Considering the implementation of the IRB for credit risk the Tier I and Core Tier I would reach 8.4% and 7.2%, respectively;
- Pension fund obligations covered by 107%;
- Customer funds on the balance sheet increased 3.6% to Euro 50,936 million and customer deposits grew 6.9%;
- Loans to customers, excluding securities transferred from financial assets available for sale, rose 5.1% to Euro 74,510 million. Loans in Portugal rose 4.3% while international loans grew 8.7%;
- Net operating revenues grew 10.0% to Euro 1,321 million, with an increase of 25.6% in Portugal;
- Operating costs showed a favourable evolution, falling 5.2%;
- Overdue loans by more than 90 days were within the range expected given the current economic environment: 2.0% of total loans, with the coverage ratio at 132.3%.

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SUMMARY

ECONOMIC ENVIRONMENT

During the first half of 2009, the measures in support of economic activity and the financial system have been somewhat successful: global financial markets have regained in functionality and some confidence has returned among investors and businessmen. World economic activity shows some tentative signs of greater stability and some optimism regarding the move into a different phase of the cycle of economic expansion has come forward. These signs of stabilisation in economic activity are recent, in part stemming from the highly unstable productive cycle, but owe much to the unprecedented high level of public support and overly accommodative monetary stance that is currently in place. The typical supporting factors for private demand to pick up look fragile and vulnerable to a situation in which the current policies start gradually being removed or lose efficacy, such that the current environment is still beleaguered by a high level of uncertainty.

The severity of the economic situation and the deficient working of the transmission channels of monetary policy demanded a truly innovative approach by central banks. After cutting the main interest rates, central banks have devised specific interventions in key strategic markets and financial instruments in order to ease financial conditions further. The ECB kept providing ample liquidity to markets, with unlimited funds at a fixed rate of 1% for its regular refinancing operations, and it has extended the lending maturities for up to 1 year. The ECB has also initiated a special programme for the purchase of covered bonds. These non-standard measures, together with the coordinated approach agreed at a European level in support of financial systems, have been crucial for the improvements seen in the interbank markets, for the lowering of risk premiums and of the main indexing interest rates and for the thawing of capital markets.

World economic activity shows some tentative signs of greater stability, but current environment is still characterised by a high level of uncertainty.

A truly innovative approach by central banks contributed to easing the stressed economic and financial conditions.

The ECB measures, together with the coordinated approach agreed at a European level in support of financial systems, have been crucial for the improvements seen in the interbank markets.

Economic recovery in the markets where Millennium bcp operates dependent from external environment.

Within domestic economies, Portugal and Greece recorded a lower output contraction in Q1 when compared to the euro area average. However, both countries show an economic and financial structure that leaves them dependent on external outcomes for their recovery prospects. In the Eastern European countries, the deals made at an EU level together with the IMF proved vital to restore financial market stability and for economic policy to refocus on reinvigorating economic activity, namely by resuming interest rate cuts. African economies have not been immune to the global economic crisis, namely those whose exporting sectors are less diversified. Both Angola and Mozambique will show a substantial deceleration in economic activity in 2009, though still expanding, but economic prospects look brighter for both countries next year.

RESULTS

Millennium bcp reinforced own funds, Tier I reached 8.0%, complying earlier than the Bank of Portugal's recommendations.

Despite the persistence of an adverse economic and financial environment and the moderate recovery of investors and entrepreneurs confidence, Millennium bcp's net operating revenues increased by 10.0%, from the same period of 2008. Customer deposits and loans to customers (individuals and companies) also showed increases, own funds were reinforced, with Tier I reaching to 8.0%, earlier than the recommendation from the Bank of Portugal, and consolidated net income grew 45.5%.

Consolidated net income increased 45.5% to € 147.5 million.

Millennium bcp's consolidated net income amounted to Euro 147.5 million in the first half of 2009, from Euro 101.4 million in the same period of 2008. Consolidated net income, in the first half of 2009, includes the gain booked from the entry of new shareholders in Banco Millennium Angola's share capital, amounting to Euro 21.2 million. Consolidated net income, in the first half of 2008, includes the impact, net of taxes, related to impairment losses determined by the devaluation of Banco BPI shares, in the amount of Euro 175.4 million, partially offset by the reduction of the variable remuneration already accrued in 2007, in the amount of Euro 13.2 million.

Net operating revenues up by 10.0% and operating costs down by 5.2%.

Net operating revenues increased 10.0%, benefiting from the growth in net trading income, despite the evolution in net interest income, following the trend of the market reference interest rates, and in net commissions.

Operating costs reduced 5.2%, supported by the savings achieved in most line items, as a result of the performances in both Portugal and international activity.

Impairment for loan losses (net of recoveries) were mainly influenced by the higher impairment charges, aimed to reinforce the coverage of impairment indicators in the loan portfolio.

BALANCE SHEET

Customer deposits grew 6.9% in a consolidated basis and also in Portugal.

Total assets amounted to Euro 93,786 million as at 30 June 2009, compared to Euro 93,710 million booked on the same date in 2008.

Balance sheet customer funds grew 3.6% to Euro 50,936 million sustained by the 6.9% increase in customer deposits in a consolidated basis, as well as in the activity in Portugal.

Loans to customers increased 5.1% to € 74,510 million.

Loans to customers, excluding loans represented by securities transferred from financial assets available for sale, increased 5.1% to Euro 74,510 million, from Euro 70,865 million on the same date in 2008. The growth in loans to customers was influenced by the rise in loans to individuals, which increased 7.0%, and in loans to companies, which grew 3.6%.

Mortgage loans up by 5.4% in Portugal and by 12.9% in the international activity.

In Portugal, loans to customers were up by 4.3%, benefiting from the rise of 5.6% in loans to individuals, mostly influenced by the mortgage loan performance (+5.4%), and from the growth of 3.3% in loans to companies. In the foreign activity, loans to customers showed a positive evolution, up by 8.7%, boosted by the increases of 11.0% and of 5.2% in loans to individuals and in loans to companies, respectively. The increase in loans to customers in the foreign activity was enhanced by the performance achieved in Greece and Poland, and also, to a lesser extent, in Mozambique, Romania and Angola.

Financial Highlights

<i>Euro million</i>	30 Jun. 09	30 Jun. 08	Change 09 / 08
Balance sheet			
Total assets	93,786	93,710	0.1%
Loans to customers - gross ⁽¹⁾	74,510	70,865	5.1%
Loans to customers (net) ⁽¹⁾	72,583	69,534	4.4%
Total customer funds ⁽²⁾	65,721	66,014	-0.4%
Balance sheet customer funds	50,936	49,175	3.6%
Customer deposits	44,853	41,964	6.9%
Results			
Net interest income	675.6	841.9	-19.8%
Net operating revenues ⁽³⁾	1,321.4	1,201.8	10.0%
Operating costs ⁽⁴⁾	775.2	817.5	-5.2%
Loan impairment charges (net of recoveries)	279.1	205.8	35.6%
Income taxes	45.9	50.2	-8.6%
Minority interests	12.8	33.0	-61.1%
Net income excluding specific items ⁽⁵⁾	126.3	263.6	-52.1%
Net income	147.5	101.4	45.5%
Profitability			
Net operating revenues / Average net assets ⁽⁶⁾	2.8%	2.7%	
Return on average assets (ROA) ⁽⁷⁾	0.2%	0.5%	
Income before taxes and minority interests / Average net assets ⁽⁶⁾	0.4%	0.4%	
Return on average equity (ROE) ⁽⁷⁾	4.3%	12.0%	
Income before taxes and minority interests / Average equity ⁽⁶⁾	8.1%	8.8%	
Credit Quality			
Overdue loans according to Bank of Portugal / Total loans ⁽¹⁾⁽⁶⁾	2.6%	1.1%	
Overdue loans according to Bank of Portugal, net/ Total loans, net ⁽¹⁾⁽⁶⁾	0.0%	-0.8%	
Impairment for loan losses / Overdue loans by more than 90 days ⁽¹⁾	132.3%	248.0%	
Impairment for loan losses / Overdue loans ⁽¹⁾	110.5%	201.6%	
Efficiency ratios			
Operating costs / Net operating revenues ⁽⁶⁾⁽⁷⁾	59.6%	59.5%	
Operating costs / Net operating revenues (Portugal) ⁽⁶⁾⁽⁷⁾	54.5%	55.9%	
Staff costs / Net operating revenues ⁽⁶⁾⁽⁷⁾	34.2%	33.4%	
Capital			
Total regulatory capital	7,338	7,311	
Risk weighted assets	65,931	66,862	
Tier I solvency ratio ⁽⁶⁾	8.0%	7.5%	
Total solvency ratio ⁽⁶⁾	11.1%	10.9%	
Branches			
Portugal activity	917	914	0.3%
Foreign activity	890	798	11.5%
Employees			
Portugal activity	10,518	10,810	-2.7%
Foreign activity	11,377	11,299	0.7%

(1) Excludes securities transferred from financial assets available for sale.

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

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

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

(5) Specific items in the first half of 2009 amounted to Euro 21.2 million and in the first half of 2008 to Euro -162.2 million (net of tax).

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

(7) Excludes the impact of specific items.

At the presentation of earnings for the first half of 2009, the Chairman of the Executive Board of Directors, Carlos Santos Ferreira, said:

"The bank reinforced its capital ratios, increasing the consolidated solvency ratio to 11.1% and the Tier I capital ratio to 8.0% as of 30 June 2009, thereby complying ahead of schedule with the Bank of Portugal's recommendations. The ratios achieved mainly reflect the positive impact of the full subscription of the public offer of the Millennium Value Capital 2009 issue of perpetual subordinated debt securities with conditional coupons, for a total Euro 300 million, as well as the positive impact related to the pension fund, the result of a revision of the actuarial assumptions and of structural changes in benefits associated with the pension plans.

In this regard I would like to stress that the 8.0% figure achieved for Tier I does not include the impact of any private placement, designed for institutional investors, of the Millennium Value Capital 2009 issue, nor does it include any impact from the expected adoption of the Internal Ratings Based approach to credit risk as part of the Basel II regulations. The process of obtaining authorisation from the Bank of Portugal to use IRB has not yet been completed.

Consolidated net income totalled Euro 147.5 million in the first half of 2009, a 45.5% increase over the same period in 2008, benefiting from growth in business volumes and a series of initiatives designed to mitigate the impact of the adverse economic environment. Net operating revenues increased 10.0% and operation costs dropped 5.2%.

Despite the economic environment business volumes improved, with a 6.9% increase in client deposits and a 5.1% increase in loans granted in the first half of 2009 when compared with the same period in 2008. The Bank continued to promote greater contact with its clients and sought to find appropriate solutions so that both the Clients and the Bank could overcome the challenges of the current economic environment. As part of this effort the Executive Board of Directors continued the regular visits to the main cities of Portugal to promote "Millennium Meetings." The inauguration of the travelling exhibition called "Shared Art" - a showcase of paintings from the Bank's collection - is also part of the effort to reach out to Clients and share with them and the general public Millennium bcp's artistic assets.

In the scope of its strategic priorities, the Bank has developed a series of transformational initiatives with increasingly visible results. The evolution of the cost base is a good example of the impact of the implementation of these initiatives, as operating costs fell 5.2% in the first half of 2009 compared with the same period of 2008, reflecting the sharp 10.6% cut in administrative costs at consolidated level and an even greater 15.3% drop for such costs in Portugal. Another example, at the level of improved optimization of capital consumption and risk management, is the programme to increase the collateralisation of loans, which results also reflected on the solvency ratio.

Among our international operations I would highlight the development of the Angolan operation, which saw the partnership agreement signed with Sonangol and Banco Privado Atlântico. This agreement has already contributed to increasing the pace of the branch network expansion and the growth of the business. In the first half of 2009, Millennium Angola posted a net income of Euro 6.3 million, up by 45% from the budget for the first half of 2009. The operation in Mozambique also deserves to be highlighted, with a 14.3% rise in net income. The growing importance of the operations in Africa reflects the rebalancing of the Group's business portfolio between emerging markets in Africa and operations in European countries converging with the euro zone, where the effects of the global economic environment have been more pronounced, resulting in the prompt implementation of programmes to adjust business models, with results reflected in the figures we are presenting."

The Chairman of the Executive Board of Directors ended his comments by stressing that "the path we are on is well defined and the goals that we have presented have been consistently achieved."

RESULTS

Millennium bcp's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, in compliance with Regulation (EC) 1606/2002, of July 19th and in accordance with the reporting statements defined by the Bank of Portugal (Notice n.º 1/2005) following the adoption by the Portuguese legal system of the European Commission Directive 2003/51/EC of June 18th of the European Parliament and Council.

Millennium bcp's consolidated net income amounted to Euro 147.5 million in the first half of 2009, from Euro 101.4 million in the same period of 2008. Consolidated net income, in the first half of 2009, includes the gain booked from the entry of new shareholders in Banco Millennium Angola's share capital, amounting to Euro 21.2 million. Consolidated net income, in the first half of 2008, includes the impact, net of taxes, related to impairment losses determined by the devaluation of Banco BPI shares, in the amount of Euro 175.4 million, partially offset by the reduction of the variable remuneration already accrued in 2007, in the amount of Euro 13.2 million. Excluding these impacts, net income in the first half of 2009 stood at Euro 126.3 million, compared to Euro 263.6 million in the same period of 2008. This evolution was hindered by the reinforcement of loan impairment charges (net of recoveries), as a result of the coverage of impairment indicators in the loan portfolio, as well as by other provisions, and by the lower net operating revenues obtained in an adverse economic and financial environment. Consolidated net income was positively influenced by lower operating costs, in particular, by the reduction in other administrative costs and staff costs, driven by the impact of the initiatives implemented aimed at streamlining the organisation and optimising processes in several geographies, especially in Portugal and Poland.

Net income in Portugal stood at Euro 143.6 million in the first half of 2009, from Euro 40.9 million in the same period of 2008. This performance benefited from the growth in net operating revenues, influenced by the rise in net trading income - which included in the first half of 2008 the impairment losses determined by the devaluation of Banco BPI shares, which has since been sold - as well as by the savings achieved in the operating costs, in particular other administrative costs (-15.3%), notwithstanding the higher level of credit impairment charges, aimed to cover impairment indicators in the domestic loan portfolio, and of other provisions.

Net income from international activity was conditioned, on one hand, by the drop in net operating revenues, in particular in Poland, despite the favourable performances in Mozambique and Angola, and, on the other hand, by the reinforcement of loan impairment charges (net of recoveries) in most international operations, reflecting the increase in the volume of loans to customers and the coverage of impairment indicators. Net income from international activity was favourably influenced by the reduction in operating costs, in particular in staff costs and other administrative costs, highlighting Poland.

Net interest income totalled Euro 675.6 million in the first half of 2009, compared with Euro 841.9 million in the first half of 2008. The evolution in net interest income was mostly determined by the unfavourable interest rate effect - following the continuous and sharp drop in the market reference interest rates, particularly since the end of 2008 - partially offset by the favourable volume effect, driven by the rise in customer deposits and in loans to customers. Net interest margin stood at 1.61% as at 30 June 2009, compared with 2.06% as at 30 June 2008, reflecting, on one hand, a higher reduction in average interest earning asset rates than in average interest bearing liabilities rates, in particular the smaller magnitude of the reduction in customer deposits interest rates, and, on the other hand, the increase in spread from medium- and long-term wholesale funding. The performance in net interest income in Portugal was influenced by a more narrow spread in customer deposits and in net interest margin, partially offset by the repricing of loans to customers, reflecting the adjustment of the implicit cost of risk in loans granted, which will continue in the Corporate and Companies segment and will be extended to the Retail segment. In the international activity, in particular in Poland, the evolution in net interest income was also determined by the unfavourable interest rate effect, driven by more narrow spreads in term deposits, influenced by the strong competition for the capture of customer funds, notwithstanding the fast repricing carried out by Bank Millennium as a result of the drop in market interest rates. Net interest income in the international activity

was also influenced by the favourable volume effect, benefiting from the increase in business volumes in most operations (in customer deposits, in particular in Greece, and in loans to customers).

AVERAGE BALANCES

<i>Euro million</i>	30 Jun. 09		30 Jun. 08	
	Balance	Yield %	Balance	Yield %
Deposits in banks	3,805	6.81	7,778	5.82
Financial assets	4,301	5.41	5,637	5.59
Loans and advances to customers	75,307	4.61	67,324	6.25
Interest earning assets	83,413	4.75	80,739	6.16
Non interest earning assets	10,496		9,345	
	93,909		90,084	
Amounts owed to credit institutions	8,698	3.84	10,184	6.52
Amounts owed to customers	43,825	2.86	40,027	2.96
Debt securities	29,896	3.06	29,014	4.43
Subordinated debt	2,618	4.42	2,959	5.87
Interest bearing liabilities	85,037	3.08	82,184	4.03
Non interest bearing liabilities	2,692		2,686	
Shareholders' equity and minority interests	6,180		5,214	
	93,909		90,084	
Net interest margin ⁽¹⁾		1.61		2.06

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

Net commissions totalled Euro 346.6 million in the first half of 2009, compared with Euro 367.7 million in the same period of 2008 (-5.7%). The net commissions performance was mostly hindered by the reduction in asset management and securities operations commissions (-41.1%), partly offset by the growth in other commissions (+18.7%) - reflecting the repricing impact, in particular at the level of integrated services presented and in account maintenance - and in card commissions (+0.7%), while commissions related to loan operations kept approximately the same level as in the same period of 2008. The evolution in net commissions was determined by both the activity in Portugal and the international activity. In Portugal, net commissions booked in the second quarter of 2009 showed an increase compared with the first quarter of 2008 (+9.9%), nevertheless the easing in the first half of 2009 from the same period of 2008 (-0.7%), determined by commissions from asset management and securities operations, as a result of the instability of financial markets, despite increases in loan commissions, card commissions and other commissions. This last heading benefited, partially, from the impact of the commissions repricing previously mentioned. In the international activity, net commissions decreased 18.4%, mostly influenced by the reduction in asset management and securities operations commissions, in particular in Poland, despite the favourable evolutions achieved by the operations in Mozambique and Angola.

Net trading income, which includes net gains arising from trading and hedging activities and net gains arising from available for sale financial assets, amounted to Euro 214.1 million in the first half of 2009, a favourable evolution from a loss of 114.2 million in the same period of 2008. In the first half of 2008, net trading income included the impact of the accounting of impairment losses, in the amount of Euro 202.2 million, related to the shareholding in Banco BPI, which has since been sold. Excluding this impact, net trading income grew by Euro 126.1 million, boosted by the favourable performances in Portugal and in

international activity. The positive evolution in net trading income was influenced by the favourable impact of the gradual reduction in interest rates in recent months, reflected in results from hedging instruments and derivatives, on one hand, and in trading derivatives, on the other hand.

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, amounted to Euro 51.1 million in the first half of 2009, a growth of 5,1% when compared to Euro 48.6 million accounted in the same period of 2008. Other net operating income includes, in the first half of 2009, the amount of Euro 21.2 million related to the gain from the dispersal of 49.9% of Bank Millennium Angola's share capital. Excluding this impact, the other net operating income showed a reduction, mostly due to the decrease in income - a consequence of the change in the accounting of bancassurance fees, which started to be registered under commissions in the second quarter of 2008 - while the costs kept in line with the same period of 2008.

Dividends from equity instruments, which include dividends received on investments in available for sale, totalled Euro 3.1 million in the first half of 2009, compared to Euro 29.3 million in the same period of 2008, of which Euro 26.7 million were dividends received from the shareholdings in Banco BPI and Eureka.

Equity accounted earnings totalled Euro 30.9 million in the first half of 2009, up by 8.9% from Euro 28.4 million in the same period of 2008. Equity accounted earnings essentially include the appropriation of earnings from the insurance business, in particular from the 49% shareholding in Millenniumbcp Fortis.

OTHER NET INCOME

<i>Euro million</i>	1H 09	1H 08	Change 09/08
Net commissions			
Cards	90.4	89.8	0.7%
Asset management and securities	59.3	100.6	-41.1%
Credit operations	72.2	72.3	-0.1%
Other	124.7	105.0	18.7%
	<u>346.6</u>	<u>367.7</u>	-5.7%
Net trading income ⁽¹⁾	214.1	(114.2)	
Other net operating income ⁽²⁾	51.1	48.6	5.1%
Dividends from equity instruments	3.1	29.3	-89.4%
Equity accounted earnings	30.9	28.4	8.9%
Total other net income	<u>645.8</u>	<u>359.8</u>	79.5%
Other income / Net operating revenues ⁽³⁾	48.9%	29.9%	

(1) Includes in the first half of 2008 the impairment losses related to the shareholding in Banco BPI in the amount of Euro 202.2 million.

(2) Includes in the first half of 2009 the gain related with the dispersal of 49.9% of Banco Millennium Angola' share capital, amounting to Euro 21.2 million.

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

Operating costs, which include staff costs, other administrative costs and depreciation, reduced by 5.2% to Euro 775.2 million (Euro 817.5 million in the first half of 2008), as a result of the savings achieved in most line items. Operating costs include, in the first half of 2008, the Euro 18.0 million reduction in variable remuneration accrued in 2007. Excluding this impact, operating costs dropped 7.2%. The cost reduction benefited from the positive performances reached in both Portugal and international activity. In Portugal, operating costs decreased by 2.0% from the first half of 2008, reflecting the lower administrative costs and depreciation. Excluding the impact of the reduction in 2008 in variable remuneration accrued in 2007 and the effect of the increase in pension costs, in the amount of Euro 31.1 million in the first half of 2009, operating costs in Portugal were down 11.0%. In the international activity, operating costs dropped 10.8%,

determined by the reductions in staff costs and other administrative costs, essentially influenced by the efforts to streamline the organisational structure and processes implemented in Poland and also by the impact of the foreign exchange devaluation of the Polish zloty.

The consolidated cost to income ratio, on a comparable basis, stood at 59.6%, in the first half of 2009, in line with the same level in the first half of 2008 (59.5%). In Portugal, the efficiency gains achieved led to an improvement of the cost to income ratio to 54.5% in the first half of 2009, from 55.9% in the same period of 2008.

Staff costs totalled Euro 444.2 million in the first half of 2009, a decrease of 1.6% from Euro 451.5 million in the first half of 2008. Staff costs include, in the first half of 2008, the Euro 18.0 million reduction in variable remuneration previously mentioned. Excluding this impact, staff costs decreased by 5.4%. The evolution in staff costs was influenced by the activity in Portugal, which was conditioned by the increase in pension costs, in the amount of Euro 31.1 million. Excluding this effect and the impact in the first half of 2008, previously mentioned, staff costs in Portugal dropped by 8.6%, as a result of the lower variable remuneration and the reduction in the number of employees. In the international activity, staff costs decreased 19.0%, mostly influenced by Poland, following the staff-resizing measures reflected in the reduction of 347 employees from the end of June 2008, reflecting the goals aimed to achieve gains of productivity and improve efficiency.

Other administrative costs fell 10.6%, to Euro 278.7 million in the first half of 2009 (Euro 311.8 million in the same period of 2008), reflecting the continuous effort to reduce costs and improve efficiency, in particular through the initiatives carried out focused to simplify and streamline operational models in all operations of the Group. The reduction in other administrative costs was favourably influenced by the savings in most items, in particular advertising, specialised services, travel and maintenance, despite the increase in costs for rents. The other administrative costs benefited from the simultaneous drop in Portugal (-15.3%) - as a result of the savings achieved in specialised services, advertising and travel - , and in the international activity (-3.3%), driven by the reduction in advertising and maintenance, which more than offset the rise in costs for rents. The reduction in other administrative costs in the international activity was mostly determined by Poland, influenced by the review of the expansion plan and consequent adjustment of the cost structure to the activity levels, which more than offset the growth in this heading in the remaining foreign operations.

Depreciation costs stood at Euro 52.3 million in the first half of 2009, a reduction of 3.4% from Euro 54.2 million in the same period of 2008. The lower level of depreciation costs benefited from the activity in Portugal, which more than offset the increase in depreciation costs in the international activity. In Portugal, the drop in depreciation costs (-9.5%) was supported by the lower depreciation in buildings, reflecting the gradual end of the period of depreciation of investments.

OPERATING COSTS

<i>Euro million</i>	1H 09	1H 08	Change 09/08
Staff costs ⁽¹⁾	444.2	451.5	-1.6%
Other administrative costs	278.7	311.8	-10.6%
Depreciation	52.3	54.2	-3.4%
	<u>775.2</u>	<u>817.5</u>	-5.2%
Of which:			
Portugal activity	511.3	521.8	-2.0%
Foreign activity	263.9	295.7	-10.8%
Operating costs / Net operating revenues ^{(2) (3)}	54.5%	55.9%	

(1) Includes in the first half of 2008 the Euro 18.0 million reduction in the variable remuneration already accrued in 2007.

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

(3) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) amounted to Euro 279.1 million in the first half of 2009, compared with Euro 205.9 million in the same period of 2008. This evolution was mainly influenced by the higher impairment charges, aimed to reinforce the coverage of impairment indicators in the loan portfolio. The evolution of impairment for loan losses (net of recoveries) was, simultaneously, influenced by the lower amount in loan recoveries compared with the same period in 2008. These performances were determined by the activity in Portugal and by the international activity, despite the quarterly reduction in the impairment charges for loan losses (net of recoveries), in both cases, when compared to the first quarter of 2009. The cost of risk, measured by the ratio of impairment charges (net of recoveries) in the loan portfolio, excluding loans represented by securities transferred from financial assets available for sale, stood at 75 b.p. (58 b.p. in the first half of 2008).

Other provisions, which comprise other asset impairment and other provisions, amounted to Euro 60.9 million in the first half of 2009, an amount that includes the provisions for assets received as payment in kind, which, subsequent to a regular process of revaluation, posted reductions from market valuations, and also includes the provisions charged for several contingencies.

BALANCE SHEET

Total assets amounted to Euro 93,786 million as at 30 June 2009, compared to Euro 93,710 million booked on the same date in 2008.

Loans to customers, excluding loans represented by securities transferred from financial assets available for sale, totalled Euro 74,510 million as at 30 June 2009, an increase of 5.1% from Euro 70,865 million booked on the same date in 2008, influenced by the growth in loans to individuals, which rose 7.0%, and in loans to companies, which increased 3.6%.

Until 31 December 2008, and in accordance with the accounting procedures of the Group, fully provisioned overdue loans were written off from assets when impairment losses achieved 100%. In the first quarter of 2009, subsequent to the Circular Letter 15/2009 from the Bank of Portugal, the Bank started to write off from assets only fully provisioned overdue loans that after an economic analysis are considered uncollectible and without possibility of recovery. The adoption of this new requirement had an impact of Euro 241.1

million in the amount of overdue loans accounted in the Balance sheet. Excluding the impact of this change in overdue loans, loans to customers increased 4.8% from 30 June 2008.

The growth in loans to customers benefited from the increase in activity in Portugal, up by 4.3%, as a result of the rise in loans to individuals (+5.6%), mostly influenced by the mortgage loan performance (+5.4%), and in loans to companies (+3.3%). In the foreign activity, loans to customers showed a positive evolution, increasing 8.7%, boosted by both loans to individuals (+11.0%), sustained by mortgage loans, and loans to companies (+5.2%). The increase in loans to customers in the foreign activity was enhanced by the performance achieved in Greece and Poland, and also, to a lesser extent, in Mozambique, Romania and Angola.

The structure of the loan portfolio remained stable and well balanced, between 30 June 2008 and 30 June 2009, with loans to companies representing around 55% of total loans, excluding loans represented by securities transferred from financial assets available for sale, which continued to be the main component of loans to customers, while loans to individuals represented around 45% of total loans.

LOANS TO CUSTOMERS ⁽¹⁾

<i>Euro million</i>	30 Jun. 09	30 Jun. 08	Change 09 / 08
Individuals			
Mortgage loans	28,903	26,954	7.2%
Consumer loans	5,081	4,797	5.9%
	<u>33,984</u>	<u>31,751</u>	7.0%
Companies			
Services	14,217	12,704	11.9%
Commerce	5,085	5,318	-4.4%
Other	21,224	21,092	0.6%
	<u>40,526</u>	<u>39,114</u>	3.6%
Total	<u>74,510</u>	<u>70,865</u>	5.1%
Of which:			
Portugal activity	59,587	57,138	4.3%
Foreign activity	14,923	13,727	8.7%

(1) Excludes securities transferred from financial assets available for sale.

Credit quality, assessed by the non-performing loans indicators, in particular the overdue loans by more than 90 days as a percentage of total loans, excluding loans represented by securities transferred from financial assets available for sale, stood within the range expected given the current economic environment at 2.0%, as at 30 June 2009, reflecting also the effect of the change in the accounting of fully provisioned overdue loans that showed some probability of recovery (representing 0.3% of total loans), as previously explained. The coverage ratio of overdue loans by more than 90 days stood at 132.3% as at 30 June 2009.

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AT 30 JUNE 2009 ⁽¹⁾

<i>Euro million</i>	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans more than 90 days / Total loans	Coverage ratio
Individuals				
Mortgage loans	160	174	0.6%	108.4%
Consumer loans	265	270	5.2%	102.0%
	<u>425</u>	<u>444</u>	1.2%	104.4%
Companies				
Services	311	410	2.2%	132.0%
Commerce	239	266	4.7%	111.5%
Other	481	807	2.3%	167.4%
	<u>1,031</u>	<u>1,483</u>	2.5%	143.8%
Total	<u>1,456</u>	<u>1,927</u>	2.0%	132.3%

(1) Excludes securities transferred from financial assets available for sale.

Total customer funds totalled Euro 65,721 million as at 30 June 2009, compared to Euro 66,104 million in the same date in 2008. Balance sheet customer funds grew 3.6% from 30 June 2008, sustained by the 6.9% increase in customer deposits, reflecting the customer preference for financial solutions with lower risk, in particular traditional term deposits, as a result of financial market volatility, which also continues to restrain the off-balance sheet customer funds (-12.2%), mostly influenced by the evolution in assets under management, notwithstanding the slight rise showed from the end of the previous quarter. In Portugal, the 6.9% growth in customer deposits did not offset the drop in off-balance sheet customer funds, which led to a slight decrease in total customer funds from 30 June 2008. In the foreign activity the rise in customers deposits, in particular in Greece, more than offset the lower assets under management, materialised in a 1.5% increase in total customer funds.

Quarterly, total customer funds were up by Euro 1,552 million (+2.4%), compared with the amount of total customer funds recorded at the end of the first quarter of 2009, boosted by both balance sheet customer funds (+2.0%) and off-balance sheet customer funds (+3.9%).

TOTAL CUSTOMER FUNDS

<i>Euro million</i>	30 Jun. 09	30 Jun. 08	Change 09 / 08
Balance sheet customer funds			
Deposits	44,853	41,964	6.9%
Debt securities	6,083	7,211	-15.6%
	<u>50,936</u>	<u>49,175</u>	3.6%
Off-balance sheet customer funds			
Assets under management	4,567	6,887	-33.7%
Capitalisation insurance	10,218	9,952	2.7%
	<u>14,785</u>	<u>16,839</u>	-12.2%
Total	<u>65,721</u>	<u>66,014</u>	-0.4%
Of which:			
Portugal activity	51,545	52,052	-1.0%
Foreign activity	14,176	13,962	1.5%

The **liquidity management** of Millennium bcp, in the first half of 2009, remained centred on taking advantage of the access to alternative sources of funding, the optimisation of the cost of funding in the wholesale funding market and the reinforcement of the effort to retain and further increase balance sheet customer funds. The growth in customer deposits by 6.9%, from 30 June 2008, was particularly important as a funding instrument and also to support the loan granting business, to both individuals and companies. Additionally, the rights and debt issues performed by the Group within the last year provide comfortable liquidity levels, given the persistent instability in financial markets.

In the first half of 2009, the Bank successfully placed a 3-year fixed-rate debt issue (Euro Fixed Rate Notes), guaranteed by the Portuguese Republic, in the amount of Euro 1.5 billion. The amount that can still be used by the Group with the guarantee of the Portuguese Republic is estimated to be about Euro 3.5 billion. In addition, the Bank successfully placed two 5-year variable-rate debt issues, without the State guarantee, in April and in June 2009, in the total amount of Euro 2.0 billion, and a financial instrument "Perpetual Subordinated Debt Securities with Conditioned Coupons", in the amount of Euro 300 million, under the Bank's "Debt Securities Programme". The amount of assets eligible as collateral in refinancing operations with the European Central Bank reached Euro 7.2 billion.

CAPITAL

The capital ratios of the Group as at 30 June 2009 were determined in accordance with the Basel II framework, with the calculation of capital requirements following the standard approach in respect to credit risk and, subsequent to the authorisation from the Bank of Portugal, the standard approach for the operational risk and the internal models approach for the generic market risk.

The **Consolidated solvency ratio** as at 30 June 2009 stood at 11.1% and the Tier I ratio reached 8.0%, earlier than the recommendation from the Bank of Portugal to present a minimum Tier I of 8.0% by the end of September 2009, mostly as a result of the positive impact related to the pension fund and the issue of the previously mentioned financial instrument. The Core Tier I reached 6.2%, a favourable evolution from 5.5% as at 31 March 2009.

The pension fund favourably influenced the capital ratios, due to the change in the assumptions of both the increase in future compensation levels (from 3.25% to 2.75%) and the pensions increase rate (from 2.25% to

1.75%), that led to a global impact of an additional 56 b.p. in Core Tier I, and due to the actuarial gains in the first half of 2009, including the change in the pension fund corridor in the same period.

The evolution of Core Tier I was also influenced by the positive evolution of the activity in the second quarter of 2009 (+7 b.p.), highlighting: (i) the net income accounted, the reduction in Millennium bcp's own credit risk for financial liabilities at fair value and the amortisation of actuarial deviations; (ii) the impact of positive foreign exchanges differences in equity, mainly due to Poland; and (iii) the increase in fair value of Millenniumbcp Fortis, the reduction in own shares and other positive changes. These positive impacts were partially offset by the negative effect related with the deferred transition adjustments to IFRS from the mortality table in 2005 and from the actuarial losses recorded in 2008.

The Tier I ratio benefited from the issue of Euro 300 million of Perpetual Subordinated Debt Securities with Conditional Coupons, which were authorised by the Bank of Portugal to be included in this heading up to 35% of the respective amount (+45 b.p., without impact on the Core Tier I ratio).

Additionally, the evolution in risk weighted assets also had a positive impact on capital ratios, falling by Euro 253 million from 31 March 2009, in line with the evolution in the loan to customers' portfolio, and was favourably influenced by more efficient risk management, in particular from a higher collateralisation of loans.

In the scope of Basel II "approval pack" filed with the Bank of Portugal, regarding the use of advanced methods for the calculation of capital requirements, namely the internal ratings based approach for credit risk in Portugal and for the retail exposures in Poland, it is estimated that its implementation will have a favourable impact in the Group's capital requirements; specifically, as at 30 June 2009, the Tier I would reach 8.4% and the Tier I ratio 7.2%.

SOLVENCY

<i>Euro million</i>	<u>30 Jun. 09</u>	<u>30 Jun.08</u>
Own Funds		
Tier I Capital	5,283	4,471
of which: Preference shares	1,256	906
Deductions on shareholdings ⁽¹⁾	(47)	(63)
Tier II Capital	2,156	2,194
Deductions to Total Regulatory Capital	<u>(101)</u>	<u>(88)</u>
Total Regulatory Capital	<u>7,338</u>	<u>6,577</u>
Risk Weighted Assets	65,931	66,184
Solvency Ratios		
Core Tier I	6.2%	5.5%
Tier I	8.0%	6.8%
Tier II	3.1%	3.2%
Total	11.1%	9.9%

(1) Includes, in particular, the 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, with a special focus on Commercial Banking, Investment Banking and Private Banking and Asset Management.

SEGMENTS DESCRIPTION

Commercial Banking is the core business for the Group, both in terms of volume and contribution to results. The Commercial Banking activity includes Millennium bcp's network in Portugal, operating as a distribution channel targeting the segments of Retail Banking and Corporate and Companies, focusing the activity on satisfying customers' financial needs, both for individuals and companies. Commercial Banking also includes the Foreign Business segment, operating through several banking operations in markets with affinity to Portugal and in markets of recognised growth potential, in Europe and in other regions.

The strategic approach of Retail Banking in Portugal is to target "Mass Market" customers, who appreciate a value proposition based on innovation and speed, as well as Affluent 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. Retail Banking. Within the scope of the cross-selling strategy, Retail Banking also acts as a distribution channel for financial products and services of the Millennium bcp business areas as a whole.

The Corporate and Companies 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 Companies network 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 and on offering a wide range of traditional banking products complemented by specialised financing; and (iii) the activity of the Bank's International Division.

The Investment Banking business is undertaken essentially by Millennium investment banking, a company 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.

The Private Banking and Asset Management activity comprises the Private Banking network in Portugal, Millennium Banque Privée, a private banking platform incorporated under Swiss law, and subsidiary companies specialised in the asset management business.

The Foreign Business comprises the operations outside Portugal, namely in Poland, Greece, Turkey, Romania, Mozambique, Angola and the United States. The Group is represented by a universal bank in Poland and by an operation based on the innovation of products and services in Greece. The activity in Turkey is performed through an operation focused on financial advising, and in Romania it is represented through a greenfield operation, focused on the Mass market and Businesses, Companies and Affluent segments. All the above operations develop their activities under the Millennium brand. The Group is represented in Mozambique by Millennium bim, a universal bank targeting both companies and individual customers, in Angola by Millennium Angola, a bank focused on individuals and public and private sector companies and institutions, and in the United States by Millennium bcpbank, a local bank that serves the local population, in particular the Portuguese community.

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's level, both at balance sheet and income statement, 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. In 2009 the risk weighted assets were influenced by the calculation of capital requirements following the standard approach for operational risk, in accordance with the approval from the Bank of Portugal (these were previously calculated using the basic indicator approach). Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

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 in the Group, as at 30 June 2009.

Retail Banking in Portugal

The net contribution of Retail Banking in Portugal totalled Euro 74.0 million in the first half of 2009, compared with Euro 166.2 million in the same period of 2008. This evolution was influenced by the decrease in net interest income and the reinforcement in impairment charges, due to the coverage of impairment indicators in loan portfolio.

The drop in net interest income resulted from the evolution in total customer funds margin and from the effect of the reduction in European Central Bank interest rate, with impact, in particular, on deposits repayable on demand, and from the increasing weight of term deposits compared to deposits repayable on demand. The loans margin showed a favourable evolution, benefiting from the growth in average spread, following the repricing implemented.

Net commissions registered a favourable evolution from the first half of 2008, highlighting commissions associated with deposits repayable in demand and with cards. Operating costs showed a decrease from the same period in 2008, determined by the reduction in the number of employees, despite the opening of new branches.

The strategy to further increase the number of customers and customer funds led to a growth of customer deposits by 8.5%, which mostly offset the decrease of 48.6% in assets under management, and determined the evolution of total customer funds, from Euro 34,691 million as at 30 June 2008, to Euro 34,556 million as at 30 June 2009.

Loans to customers grew 2.2%, to Euro 35,097 million as at 30 June 2009, from Euro 34,356 million in the same date in 2008, sustained by the increase in mortgage loans, despite the slowdown in the pace of growth.

<i>Euro million</i>	30 Jun.09	30 Jun.08	Change 09 / 08
Profit and loss account			
Net interest income	357.9	467.2	-23.4%
Other net income	210.0	200.7	4.6%
	<u>567.9</u>	<u>667.9</u>	-15.0%
Operating costs	368.2	375.0	-1.8%
Impairment	99.0	66.3	49.5%
Contribution before income taxes	100.7	226.6	-55.6%
Income taxes	26.7	60.3	-55.8%
Net contribution	<u>74.0</u>	<u>166.2</u>	-55.5%
Summary of indicators			
Allocated capital	1,052	1,083	
Return on allocated capital	14.2%	30.9%	
Risk weighted assets	21,040	21,639	
Cost to income ratio	64.8%	56.2%	
Loans to customers	35,097	34,356	2.2%
Total customer funds	34,556	34,691	-0.4%

Corporate and Companies

The Corporate and Companies segment showed a net contribution of Euro 62.2 million in the first half, compared with Euro 61.5 million in the same period of 2008. The performance of this business segment was determined by the positive evolution in income, together with the cost reduction, which offset the impact of the higher level of impairment charges, as a result of the growth of impairment indicators in the loans' portfolio.

The increase in net interest income reflects, on one hand, the rise in business volumes, in both loans to customers and customer deposits and, on the other hand, the discipline in the repricing policy and in risk management, leading to an improvement in the loan margin, which more than offset the negative impact in net interest margin as a result of lower customer funds margin, in particular in deposits repayable on demand. Operating costs also contributed positively, reducing from the same period of 2008 and showing sustained reductions since 2008.

Total customer funds were up by 16.5%, to Euro 13,606 million as at 30 June 2009, from Euro 11,676 million as at 30 June 2008. The growth in customer funds, despite the intense competition in this business segment, was determined by the 28.9% increase in customer deposits.

Loans to customers amounted to Euro 22,880 million at the end of June 2009, a growth of 2.4% from Euro 22,347 million in the same date of 2008. The favourable performance in loans to customers occurred in a context of increasing restrictions on the access to funding sources and of a more selective credit approval policy, which resulted in additional pricing discipline.

<i>Euro million</i>	<u>30 Jun.09</u>	<u>30 Jun.08</u>	<u>Change 09 / 08</u>
Profit and loss account			
Net interest income	187.2	166.0	12.8%
Other net income	<u>69.5</u>	<u>70.8</u>	-1.8%
	256.8	236.8	8.4%
Operating costs	48.2	54.0	-10.8%
Impairment	<u>124.0</u>	<u>99.1</u>	25.1%
Contribution before income taxes	84.6	83.7	1.0%
Income taxes	<u>22.4</u>	<u>22.2</u>	1.0%
Net contribution	<u><u>62.2</u></u>	<u><u>61.5</u></u>	1.0%
Summary of indicators			
Allocated capital	1,177	1,272	
Return on allocated capital	10.7%	9.7%	
Risk weighted assets	23,531	25,446	
Cost to income ratio	18.8%	22.8%	
Loans to customers ⁽¹⁾	22,880	22,347	2.4%
Total customer funds	13,606	11,676	16.5%

(1) Includes commercial paper.

Investment Banking

The net contribution of Investment Banking stood at Euro 30.9 million in the first half of 2009, up from Euro 27.0 million in the same period of 2008. Net interest income showed a favourable evolution, as a result of the interest rate effect, associated with the gradual amortisation of bonds that were not replaced, and of the volume effect, related to the growth in the available for sale portfolio. Other net income includes the positive performance in net commissions, determined by the growth in commissions from international syndicated operations, from structuring securitisation operations, from structured products and from commercial paper, which more than offset the lower commissions related to unit linked products, to equity markets and to brokerage operations.

Operating costs totalled Euro 20.1 million, a drop of 21.5% from the same period in 2008.

Loans to customers, sustained by the involvement of Millennium investment banking in project finance and structured finance operations, in the framework of structural investment projects, in particular in the energy sector, were down 2.8% between the end of June 2008 and end of June 2009.

<i>Euro million</i>	<u>30 Jun.09</u>	<u>30 Jun.08</u>	<u>Change 09 / 08</u>
Profit and loss account			
Net interest income	18.3	4.0	--
Other net income	45.8	58.5	-21.6%
	64.1	62.5	2.6%
Operating costs	20.1	25.6	-21.5%
Impairment	1.0	(0.8)	--
Contribution before income taxes	42.9	37.7	14.0%
Income taxes	12.1	10.7	13.1%
Net contribution	<u>30.9</u>	<u>27.0</u>	14.3%
Summary of indicators			
Allocated capital	118	120	
Return on allocated capital	52.8%	45.3%	
Risk weighted assets	2,360	2,364	
Cost to income ratio	31.4%	41.0%	
Loans to customers	930	957	-2.8%

Private Banking and Asset Management

The Private Banking and Asset Management segment registered a net contribution of Euro 3.5 million in the first half of 2009, from Euro 12.8 million in the same period of 2008. The net contribution reflects the reinforcement of impairment charges and the lower level of commissions, hindered by the unfavourable volume effect related to commissions from asset management and from investment funds and by the lower trading commissions (securities operations, brokerage and structured products).

The increase in net interest income, from the same period of 2008, was determined by the rise in loans to customers and in the respective margin rate, driven by the repricing of operations. Operating cost showed a positive evolution, falling by 7.0% from the same period of 2008.

Customer deposits were up by 15.6% from 30 June 2008. This increase did not offset the evolution in assets under management, which amounted to Euro 6,534 million as at 30 June 2009, a 24.8% fall from the same date in 2008, driven by the adverse performance of capital markets.

Loans to customers amounted to Euro 3,670 million as at 30 June 2009, a 5.1% growth from Euro 3,493 million as at 30 June 2008, sustained by the performance achieved by the Private Banking network in Portugal, which increased 22.5%, boosted by the efforts to expand the business base.

<i>Euro million</i>	30 Jun. 09	30 Jun. 08	Change 09 / 08
Profit and loss account			
Net interest income	35.3	28.2	25.1%
Other net income	21.6	28.6	-24.4%
	56.9	56.8	0.2%
Operating costs	26.9	28.9	-7.0%
Impairment	24.5	12.2	100.9%
Contribution before income taxes	5.5	15.7	-65.1%
Income taxes	2.0	2.9	-30.6%
Net contribution	3.5	12.8	-72.9%
Summary of indicators			
Allocated capital	117	113	
Return on allocated capital	5.9%	22.8%	
Risk weighted assets	2,348	2,242	
Cost to income ratio	47.3%	50.9%	
Loans to customers	3,670	3,493	5.1%
Total customer funds	10,513	13,048	-19.4%

Foreign Business

The net contribution from the Foreign Business segment decreased 87.3% to Euro 10.7 million in the first half of 2009, from Euro 84.1 million in the same period of 2008. This evolution reflects the higher impairment and provisions charges and the drop in net interest income, mostly due to the activity in Poland.

The lower net interest income in Poland was determined mainly by severe competition in the price of deposits, which led to a decrease in margins, by the increase in the cost of funding in foreign currencies and by the maintenance of an easing policy for reference interest rates from the Polish monetary authorities. The rise in net interest income in Angola and Mozambique was sustained by the increase in business volumes.

Operating costs showed a reduction, benefiting mostly from the reduction in staff costs and in administrative costs in Poland and Turkey, which more than offset the higher operating costs in Angola, Mozambique and Romania, related to the strategy of organic growth carried out in these international operations, materialised in the expansion of the distribution network, and consequently in the increase in the number of employees.

Loans to customers were up by 8.2% to Euro 14,589 million as at 30 June 2009, boosted by the performance of both loans to individuals and loans to companies, benefiting from the continuous launching of innovative products and services tailored to customer needs and risk profiles. This evolution reflects the growth achieved in most foreign operations, in particular Angola, Mozambique, Greece and Romania.

Total customer funds grew 1.5% to Euro 14,176 million as at 30 June 2009, boosted by the rise of 7.0% in customer deposits, in particular in Angola, Mozambique and Greece.

<i>Euro million</i>	30 Jun. 09	30 Jun. 08	Change 09 / 08
Profit and loss account			
Net interest income	161.0	240.3	-33.0%
Other net income	192.1	185.6	3.5%
	353.1	425.9	-17.1%
Operating costs	263.9	295.7	-10.8%
Impairment and provisions	71.6	22.9	--
Contribution before income taxes	17.6	107.2	-83.6%
Income taxes and minority interests	6.9	23.1	-70.0%
Net contribution	10.7	84.1	-87.3%
Summary of indicators			
Allocated capital	977	941	
Return on allocated capital	2.2%	18.0%	
Risk weighted assets	12,711	13,213	
Cost to income ratio	74.8%	69.4%	
Loans to customers	14,589	13,481	8.2%
Total customer funds	14,176	13,961	1.5%

SIGNIFICANT EVENTS

The initiatives with a material impact on the Group's capital level and requirements, the continuation of the efforts of adjustments in pricing, in Portugal and in international operations, to reflect the current cost of credit and liquidity risk, the strict capital and liquidity management as well as the programs to increase business volumes, create value and increasing customer retention, in all the Group operations, were all part of Millennium bcp's activities in the second quarter of 2009. Of particular note were:

- Authorisation from the Bank of Portugal to use the internal models approach for the calculation of capital requirements for generic market risk of the trading portfolio comprising the sub-portfolios included in the perimeter managed centrally from Portugal, for debt instruments, equity instruments and foreign exchange risks;
- Issue of Euro 300 million of Millennium bcp Valor Capital 2009, perpetual subordinated debt securities with conditional coupons which were authorised by the Bank of Portugal to be included in Tier I, on an individual and consolidated basis, up to a maximum of 35% of the total Tier I of the Bank;
- Registration of the project concerning the merger by incorporation of Banco Millennium bcp Investimento, S.A. into Banco Comercial Português, S.A.;
- Signing of an agreement with the Asian Development Bank (ADB) to promote trade finance transactions between Millennium bcp customers and the member countries of the ADB;
- Millennium Meetings took place in Santarém (27 and 28 April), Bragança (4 May), Ponta Delgada (28 and 29 May) and Lisbon (19 June), aiming at strengthening the relationship with and the commitment to customers, investors and society at large;
- "Sustainable Development Award 2009" won by Millennium bcp. Millennium bcp was 4th out of 200 companies, according to the Diário Económico newspaper and Heidrick & Struggles' ranking;
- "Best Annual Report 2008" and "Best Video and Webcast", won by Millennium bcp, in the scope of the "Excellence in Communication 09" initiative, organised by the Portuguese Association for Business Communication and by Superbrands;
- "Best Annual Report - Financial Sector" award received by Millennium bcp at the Investor Relations & Governance Awards 2009 Gala, organised annually by Deloitte and the newspapers Semanário Económico and Diário Económico;
- Distinction of the Millennium bcp and Médis brands with the Superbrands award;
- Distinction of Médis as the brand which the Portuguese most trust in the health insurance category, according to research from Nielsen;
- Distinction of the Millennium brand in Poland as one of the most well-known and preferred by banking customers, according to research from MillwardBrown SMG/KRC;
- Bank Millennium's Investor Relations named among the top "2009 Europe's Best Investor Relations" according to "Institutional Investor". Bank Millennium came in 4th place in the best Investor Relations in Poland and IR Officer Artur Kulesza took 3rd place in Best IR Professionals in Europe - Financial Institutions;
- "Best Bank to Work For" award granted to Millennium bank in Greece, in 3rd place in the ranking of the "Best Company to Work For with more than 250 Employees". Millennium bank in Greece was also presented, for the second consecutive year, with the "2008 EUR Straight - Through Processing Excellence Award" by Deutsche Bank;
- Distinction awarded to Millennium bank in Romania for its Internet Banking service by "E-Finance" magazine;
- Millennium bcp's participation in two informative sessions called "Market ABCs", focusing on Mozambique, organised by the Portugal's Agency for Investment and Foreign Trade, for Portuguese Small and Medium Enterprises;

- Under Millennium bcp's sustainability and social responsibility initiatives, the Bank sponsored, in cooperation with the Calouste Gulbenkian Foundation, the campaign of solidarity "País Solidário", to support families affected by the crisis; it became official sponsor of Rock in Rio Lisbon's 4th edition, which will take place in May 2010; it sponsored the "Médias Iberian Cup" and the 2nd edition of the "Médias Matchplay 1808" golf tournament; it renewed the cooperation protocol with the National Association for the Right to Credit, for three more years, materialising a partnership under which cooperation is most visible in the Bank's microcredit operation; renewed its patronage agreement, for the three years from 2009-2011, with the OPART, the company that manages the Teatro Nacional de São Carlos (TNSC) and the National Ballet Company; inaugurated "Millennium bcp's Shared Art", a travelling exhibition that will accompany the Millennium Meetings, consisting of a showcase of paintings by 41 Portuguese artists.

ECONOMIC ENVIRONMENT

The measures in support of economic activity and the financial system have been somewhat successful: global financial markets have regained in functionality and some confidence has returned among investors and businessmen. World economic activity shows some tentative signs of greater stability and some optimism regarding the move into a different phase of the cycle of economic expansion has come forward. These signs of stabilisation in economic activity are recent, in part stemming from the highly unstable productive cycle, but owe much to the unprecedented high level of public support and overly accommodative monetary stance that is currently in place. The typical supporting factors for private demand to pick up look fragile and vulnerable to a situation in which the current policies start gradually being removed or lose efficacy, such that the current environment is still beleaguered by a high level of uncertainty.

The severity of the economic condition and the deficient working of the transmission channels of monetary policy demanded a truly innovative approach by central banks. After cutting the main interest rates to close to zero, central banks have devised specific interventions in key strategic markets and financial instruments in order to ease financial conditions further. The ECB kept providing ample liquidity to markets, with unlimited funds at a fixed rate of 1% for its regular refinancing operations, and it has extended the lending maturities for up to 1 year. The ECB has also initiated a special programme for the purchase of covered bonds. These non-standard measures, together with the coordinated approach agreed at a European level in support of financial systems, have been crucial for the improvements seen in the interbank markets, for the lowering of risk premiums and of the main indexing interest rates, for the thawing of capital markets and for unblocking funds for those economies more dependent on external financing. The risk aversion climate eased somewhat with encouraging results in the developments in the main stock and debt markets.

The highly turbulent financial and economic environment will continue to be felt in banking markets, through the typical lagged effects of the credit cycle on banking activity and profitability, but also due to the changes that are expected to take place in the supervision and regulation of financial markets. Related proposals, endorsed at an EU Community and world level, aim at updating the current procedures and settings to the new global and financial demands, improving the efficiency of the supervisory authorities in the early recognition of relevant systemic risks. The redesign of the supervisory and regulatory architecture may foster changes in the regular banking offer and may act as a catalyst for the strategic repositioning of some financial entities.

Multilateral international institutions have been upgrading their economic projections for the first time in two years. According to the IMFs new set of economic forecasts, world economic activity is expected to expand by 2.5% in 2010, thus improving markedly vis-à-vis the 1.4% contraction estimated for the current year, the first world recession since World War II. The economic rebound is expected to be very moderate, significantly below potential growth, thus keeping a high margin of slack in the utilization of productive capacity. This might be a useful development to keep inflation expectations well anchored at a time there are some fears surfacing that the ongoing extraordinary stance of central banks might jeopardize the price stability in the long run.

Within domestic economies, Portugal and Greece recorded a lower output contraction in Q1 when compared to the euro area average. However, both countries show an economic and financial structure that leaves them dependent on external outcomes for their recovery prospects. In the Eastern European countries, the deals made at an EU level together with the IMF proved vital to restore financial market stability and for economic policy to refocus on reinvigorating economic activity, namely by resuming interest rate cuts. Poland might still avert economic recession in 2009 but Romania, due to its higher dependency on external financing, is expected to post a severe drop in output this year. African economies have not been immune to the global economic crisis, namely those whose exporting sectors are less diversified. Both Angola and Mozambique will show a substantial deceleration in economic growth in 2009, though still expanding, but economic prospects look brighter for both countries next year.

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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 half figures for 2008 and 2009 were subject to a limited scope revision by External Auditors.

BANCO COMERCIAL PORTUGUÊS

**Consolidated Income Statement
for the six months period ended 30 June, 2009 and 2008**

	<u>30 June 2009</u>	<u>30 June 2008</u>
	(Thousands of Euros)	
Interest income	1,991,263	2,514,900
Interest expense	<u>(1,315,700)</u>	<u>(1,672,964)</u>
Net interest income	675,563	841,936
Dividends from equity instruments	3,108	29,323
Net fees and commission income	346,635	367,689
Net gains / losses arising from trading and hedging activities	204,533	82,015
Net gains / losses arising from available for sale financial assets	9,592	(196,181)
Other operating income	<u>20,774</u>	<u>40,758</u>
	1,260,205	1,165,540
Other net income from non banking activity	<u>8,818</u>	<u>8,288</u>
Total operating income	1,269,023	1,173,828
Staff costs	444,162	451,510
Other administrative costs	278,699	311,818
Depreciation	<u>52,329</u>	<u>54,147</u>
Operating costs	<u>775,190</u>	<u>817,475</u>
	493,833	356,353
Loans impairment	(279,056)	(205,851)
Other assets impairment	(41,824)	(21,541)
Other provisions	<u>(19,118)</u>	<u>27,691</u>
Operating profit	153,835	156,652
Share of profit of associates under the equity method	30,944	28,409
Gains from the sale of subsidiaries and other assets	<u>21,466</u>	<u>(454)</u>
Profit before income tax	206,245	184,607
Income tax		
Current	(56,842)	(25,412)
Deferred	<u>10,904</u>	<u>(24,833)</u>
Profit after income tax	<u>160,307</u>	<u>134,362</u>
Attributable to:		
Shareholders of the Bank	147,480	101,358
Minority interests	<u>12,827</u>	<u>33,004</u>
Profit for the period	<u>160,307</u>	<u>134,362</u>

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 June, 2009 and 2008 and 31 December, 2008

	30 June 2009	31 December 2008	30 June 2008
	(Thousands of Euros)		
Assets			
Cash and deposits at central banks	2,041,485	2,064,407	1,951,747
Loans and advances to credit institutions			
Repayable on demand	537,870	1,048,348	695,849
Other loans and advances	2,255,496	2,892,345	7,189,891
Loans and advances to customers	75,854,735	75,165,014	69,534,060
Financial assets held for trading	3,337,301	3,903,267	3,920,302
Financial assets available for sale	2,086,423	1,714,178	4,465,508
Assets with repurchase agreement	43,514	14,754	51,661
Hedging derivatives	383,388	117,305	149,691
Financial assets held to maturity	1,333,660	1,101,844	5,575
Investments in associated companies	374,688	343,934	285,569
Non current assets held for sale	57,920	19,558	27,932
Property and equipment	708,151	745,818	709,199
Goodwill and intangible assets	539,831	540,228	534,934
Current tax assets	24,161	18,127	46,755
Deferred tax assets	586,795	586,952	603,543
Other assets	3,621,053	4,147,645	3,537,314
	<u>93,786,471</u>	<u>94,423,724</u>	<u>93,709,530</u>
Liabilities			
Amounts owed to central banks	1,270,014	3,342,301	1,564,626
Amounts owed to others credit institutions	6,256,064	5,997,066	8,237,932
Amounts owed to customers	44,852,968	44,907,168	41,964,378
Debt securities	21,683,547	20,515,566	25,912,544
Financial liabilities held for trading	1,297,701	2,138,815	1,171,785
Other financial liabilities held for trading at fair value through results	7,910,876	6,714,323	3,395,911
Hedging derivatives	93,550	350,960	208,621
Provisions for liabilities and charges	228,965	221,836	211,592
Subordinated debt	2,519,439	2,598,660	2,850,516
Current income tax liabilities	1,422	4,826	19,573
Deferred income tax liabilities	370	336	554
Other liabilities	1,279,560	1,383,633	1,930,467
	<u>87,394,476</u>	<u>88,175,490</u>	<u>87,468,499</u>
Equity			
Share capital	4,694,600	4,694,600	4,694,600
Treasury stock	(73,141)	(58,631)	(65,134)
Share premium	183,276	183,368	183,369
Preference shares	1,000,000	1,000,000	1,000,000
Other capital instruments	300,000	-	-
Fair value reserves	29,377	214,593	173,852
Reserves and retained earnings	(221,336)	(274,622)	(155,669)
Profit for the period attributable to Shareholders	147,480	201,182	101,358
	<u>6,060,256</u>	<u>5,960,490</u>	<u>5,932,376</u>
Total Equity attributable to Shareholders of the Bank			
Minority interests	331,739	287,744	308,655
	<u>6,391,995</u>	<u>6,248,234</u>	<u>6,241,031</u>
Total Equity	<u>93,786,471</u>	<u>94,423,724</u>	<u>93,709,530</u>