

2012

First Half Report

In accordance with Article 9 of the CMVM Regulation nr. 5/2008 we are pleased to transcribe the

2012 FIRST HALF REPORT

BANCO COMERCIAL PORTUGUÊS, S.A.

a public company (Sociedade Aberta)

having its registered office at Praça D. João I, 28, Oporto, registered at the Commercial Registry of Oporto, with the single commercial and tax identification number 501 525 882 and the share capital of EUR 3,000,000,000.

The First Half Report 2012 is merely a translation of the Relatório e Contas 1º semestre de 2012 document delivered by the Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), according to the Portuguese law.

Being the sole purpose of such English version to simplify consultation of the document to English speaking Shareholders, Investors and other Stakeholders in case of any doubt or contradiction between both documents, the Portuguese version of the Relatório e Contas 1º semestre de 2012 prevails.

All references, in this document, to the application of any regulations and rules refer to the last version in force.

CONTENTS

Key Indicators	4
Main Highlights	5
Millennium Group	7
Business Model	12
Competitive Positioning	15
Internal Organisational Model	18
Trends Information	22
Macroeconomic Environment	25
Strategy	28
BCP Share	30
Qualified Holdings	37
Financial Review	38
Pension Fund	50
Capital	52
Capitalisation Strategic Plan	54
Funding and Liquidity	56
Ratings assigned to BCP	57
Segmental Reporting	59
Risk Management	102
Exposure to Activities and Products Affected by Financial Crisis	116
Main Risk Factors	117
Sustainability	129
Corporate Boards	136
Changes in Corporate Governance	138
Main Events in the First Half of 2012	140
Financial Statements	145
Annexes	147

KEY INDICATORS

Financial Highlights	Euro million		
	30 Jun. 12	30 Jun. 11	Change 12/11
Balance sheet			
Total assets	92.999	98.284	-5,4%
Loans to customers (gross) (1)	70.317	74.390	-5,5%
Total customer funds (1)	66.808	66.638	0,3%
Balance sheet customer funds (1)	54.505	51.791	5,2%
Customer deposits (1)	47.974	45.473	5,5%
Loans to customers, net / Customer deposits (2)	139%	157%	
Loans to customers, net / Customer deposits (3)	138%	154%	
Results			
Net income	(544,3)	114,3	
Net interest income	592,9	807,7	-26,6%
Net operating revenues	1.269,2	1.268,7	0,0%
Operating costs	675,4	713,2	-5,3%
Loan impairment charges (net of recoveries)	987,3	562,1	75,6%
Other impairment and provisions	108,0	7,7	-
Income taxes			
Current	38,2	42,2	-9,5%
Deferred	(34,8)	(211,0)	-
Profitability			
Net operating revenues / Average net assets (2)	2,8%	2,6%	
Return on average assets (ROA) (4)	-1,1%	0,3%	
Income before tax and non-controlling interests / Average net assets (2)	-1,1%	0,0%	
Return on average equity (ROE)	-29,8%	6,8%	
Income before tax and non-controlling interests / Average equity (2)	-23,8%	-0,7%	
Credit quality			
Overdue loans by more than 90 days + doubtful loans / Total loans (2)	6,7%	5,4%	
Overdue loans by more than 90 days + doubtful loans, net / Total loans,	0,9%	1,6%	
Credit at risk / Total loans (2)	13,2%	8,6%	
Credit at risk, net / Total loans, net (2)	7,8%	5,0%	
Impairment for loan losses / Overdue loans by more than 90 days	95,8%	101,5%	
Efficiency ratios (2) (5)			
Operating costs / Net operating revenues	58,0%	58,9%	
Operating costs / Net operating revenues (Portugal)	55,4%	57,6%	
Staff costs / Net operating revenues	32,3%	32,7%	
Capital			
Own funds	6.930	6.125	
Risk weighted assets	55.640	58.432	
Core Tier I (2)	12,1%	8,5%	
Tier I (2)	11,5%	9,3%	
Total (2)	12,5%	10,5%	
Branches			
Portugal activity	862	887	-2,8%
Foreign activity	847	842	0,6%
Employees			
Portugal activity	9.917	10.083	-1,6%
Foreign activity	11.554	11.282	2,4%

Note: the values presented for 2011 include the adjustment to the accounts from 1 January 2010.

(1) Adjusted for a Repo operation of Euro 2,256 million on 30 June 2011.

(2) According to Instruction no. 23/2011 from the Bank of Portugal.

(3) Calculated in accordance with the definition from the Bank of Portugal.

(4) Considering net income before non-controlling interests.

(5) Excludes the impact of specific items.

MAIN HIGHLIGHTS

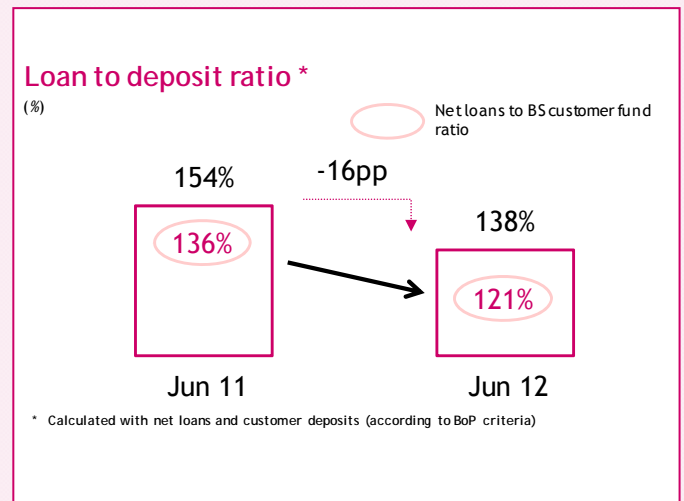
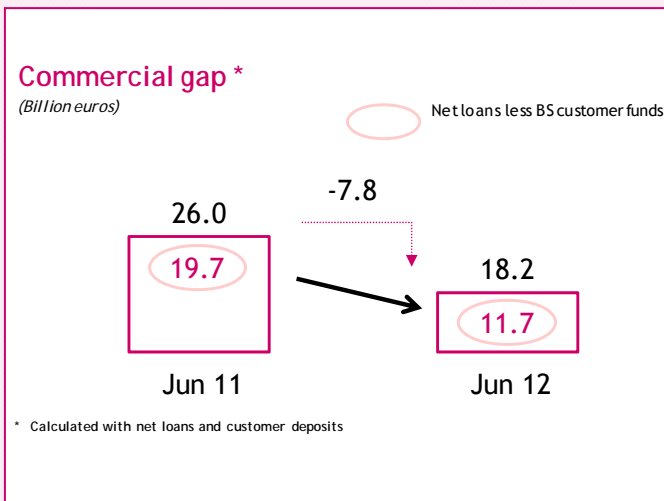
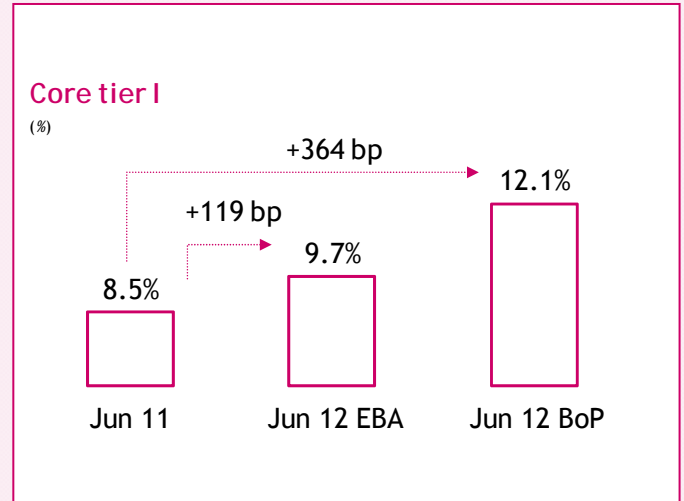
- ✓ Ensure **solvency** ratios above regulatory requirements
- ✓ Managing **deleveraging** process to stabilize balance sheet funding

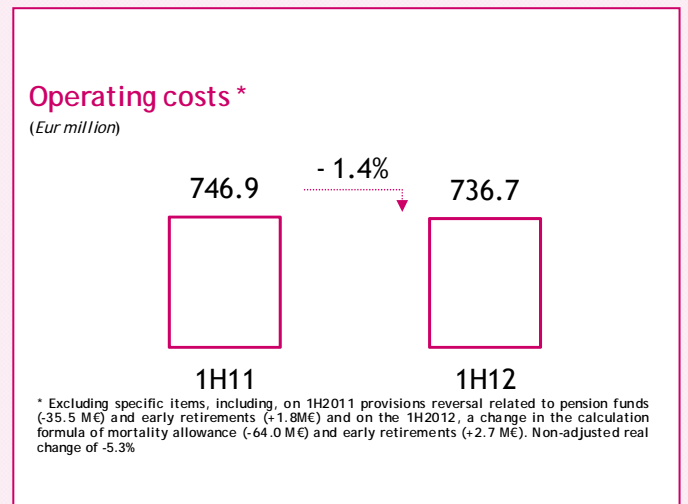
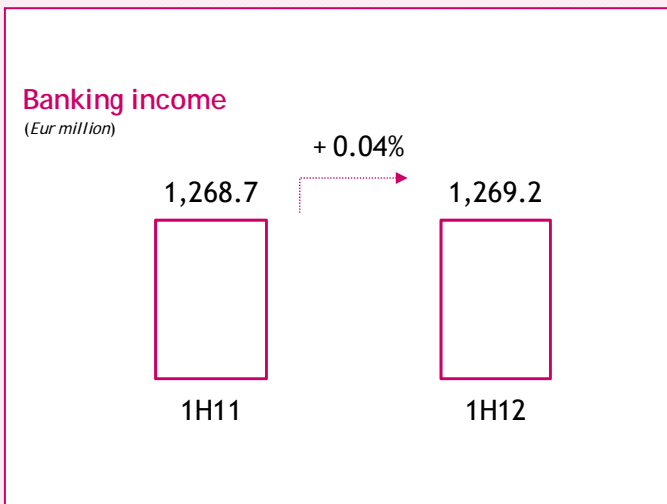
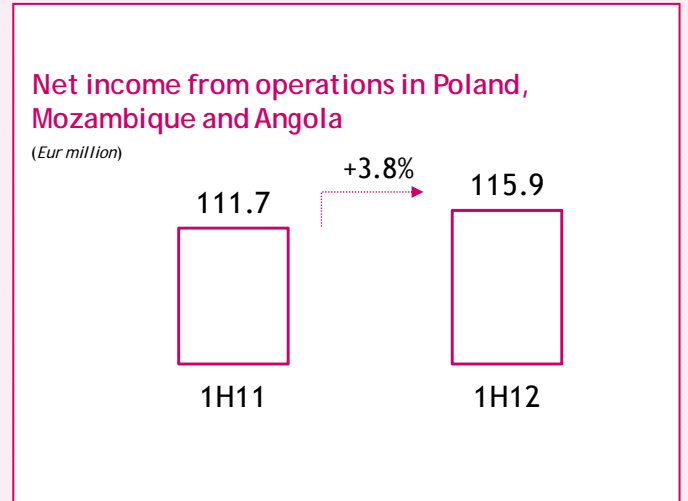
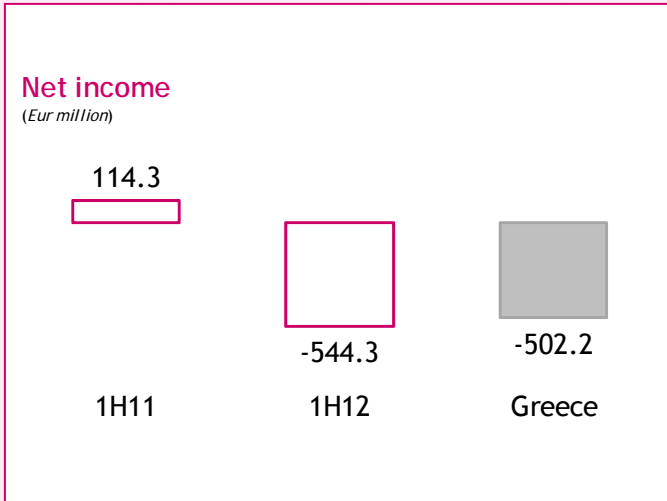
CT1

- ✓ 9% BoP Dec. 2011
- ✓ 9% EBA Jun. 2012
- ✓ 10% BoP Dec. 2012

L/D

120% in 2014





Note: Due to a change in the accounting policy related to the recognition of OCI (other comprehensive income) changes and the reclassification of impairment securities from "income from financial operations" to "other impairments and provisions", 2011 financial information was restated to allow comparability

MILLENNIUM GROUP

Banco Comercial Português, S.A. ("BCP", "Millennium bcp" or "Bank") is the largest Portuguese private bank: the BCP Group has total assets of 92.999 million euros, loans and advances to customers (gross) of 70.317 million euros and customer funds of 66.808 million euros, as at 30 June 2012. Since its incorporation, Millennium bcp has been associated to innovation, dynamism and financial strength, and has maintained these vectors as its strategic pillars which contribute to the highest efficiency of the platform and constitute an element of key differentiation in relation to the competition. The Bank, with decision making centre located in Portugal, meets the calling: "Going further beyond, doing better and serving the Customer", guiding its action by values such as the respect for people and institutions, focus on the Customer, a mission of excellence, trust, ethics and responsibility, being a distinguished leader in various areas of financial business in the Portuguese market and a reference institution at an international level.

In Portugal, the Bank operates with the largest banking distribution network of the country, with 862 branches, and is the second bank in terms of market share, both in loans and advances to customers (19.6% in June 2012) and customer deposits (17.7%, in June 2012). The activity in Portugal represents 76,3% of total assets, 75,5% of loans and advances to customers (gross) and 67,3% of total customer deposits.

The Group assumes also a prominent position in Africa through its banking operations in Mozambique and Angola, and in Europe through its operations in Poland, Greece, Romania and Switzerland. Since 2010, the Bank has operated in Macao through an on shore branch, having signed, in that year, a memorandum of understanding with the Industrial and Commercial Bank of China with the objective of strengthening cooperation between the two banks, which is extended to other countries and regions beyond Portugal and China. The Bank is also presented in the Cayman Islands through BCP Bank & Trust, with a license type B. In 2011, the Bank formalised a license application for the opening of an on shore branch in the Popular Republic of China. Particular reference should also be made to the signing, in 2011, of the partnership agreement with Banco Privado Atlântico, S.A. for the constitution/acquisition of a bank in Brazil, aiming to exploring opportunities in the Brazilian market, namely in the areas of corporate finance and trade finance, through partnerships. The entry into the Brazilian market completes the last vertex of the strategic diamond of Portugal, Africa, China and Brazil.

The international operations currently represent 50% of the total of 1.709 branches and 54% of the 21.471 Employees of the BCP Group, presenting a contribution of 22.2 million euros in the first half of 2012. Should be highlighted, the maintenance of the expansion plans in Africa, with Millennium Angola having opened its 65th branch and Millennium bim, a strong leader in Mozambique, having achieved the milestone of one million active Customers in 2011 (more than 1,1 million Customers, in June 2012). As a whole, in the first half of 2012, these two operations recorded a contribution of approximately 39.4 million euros, corresponding to an increase of 9.8%, year-on-year. Also noteworthy are the good results of the Polish operation, held by 65.5%, which showed a contribution of 34.4 million euros in the first half of 2012 (+2.3% in relation to the first half of 2011, including FX effects) and the growing size and importance of the operation of Bank Millennium in Poland with 449 branches and a market share of approximately 5.1% in deposits and 4.9% in loans and advances to customers, in June 2012.

Despite the fact that the Bank has reached historical highs levels of capitalization at the end of 2011, the repeated increase of regulatory requirements (including the temporary requirement of even more demanding levels of own funds) imposed the need to increase Core Tier I in order to comply with the EBA requirements (higher than 9% on June 30, 2012, comprising a buffer for exposures to sovereign debt) and the Bank of Portugal (higher than 10% on December 31, 2012).

Several exogenous factors had a negative impact in the Core Tier I, in particular:

- downgrades of the sovereign ratings of Portugal and Greece in the risk weighted assets (equivalent to 151 million euros in Core Tier I, having regard to a 9% ratio);
- impairments registered with the Greek public debt (409 million euros after taxes) which also affected the Core Tier I ratio in 2011;
- EBA sovereign buffer, with the exclusion of the Greek public debt provisioned in 2011 (848 million euros);
- all other deductions required by EBA, in order to anticipate the Basel III rules (724 million euros, which result from the estimated value in 2012 of 50% of deductions due to financial investments and of the shortfall impairment against the expected losses of the exposures treated by the IRB method);
- capital losses resulting from the change to the accounting policy related to the recognition of the actuarial gains and losses associated to liabilities with pensions transferred to the Social Security on December 2011,

including the value of the respective corridor, which the Bank of Portugal allowed to be neutralized up to June 2012 (439 million euros), and

- the need to establish a non-recurrent provision on June 2012, in the amount of 450 million euros, related with the expected need to strengthen the provisioning for the subsidiary in Greece, due to gradual deterioration of the local economic and financial situation.

In June 2012, the Bank has approved a Capitalization Plan pursuant to Article 13. of the Law 63-A/2008, of November 24, having issued hybrid instruments of subordinated debt eligible as Core Tier I totalling Euro 3,000 million, already fully subscribed and paid-up by the State.

The consolidated Core Tier I stood at 12.1% on 30 June 2012, in accordance with the methods of Banco de Portugal (9.3% by the end of 2011) and in 9.7% pursuant to the criteria established by the European Banking Authority (EBA), being, in both cases, above the minimum established limits (9%). The ratios Tier I and Total stood at 11.5% and 12.5% on 30 June 2012 (8.6% and 9.5%, respectively, by the end of 2011).

BCP shares are listed on Euronext Lisbon and market capitalisation as at 30 June 2012, stood at approximately 700 million euros. On the same date, the Group presented a consolidated solvency ratio and Core Tier I ratio, calculated in accordance with rules of the Bank of Portugal, of 12.5% and 12.1%, respectively.

VISION OF MILLENNIUM BCP

Millennium bcp aspires to be the reference Bank in Customer service, based on innovative distribution platforms, where over two thirds of the capital is allocated to Retail and Companies, in markets of high potential which are projected to have annual growth of turnover of more than 10%, and also to achieve higher efficiency levels, reflected in a commitment to an efficiency ratio at reference levels for the sector and with tighter discipline in capital, liquidity and cost management.

MISSION OF MILLENNIUM BCP

Create value for Customers through the offer of high quality banking and financial products and services, complying with rigorous and high standards of conduct and corporate responsibility, growing with profitability and sustainability, in order to provide an attractive return to Shareholders, which supports and strengthens the strategic autonomy and corporate identity.

VALUES OF MILLENNIUM BCP

The values of Millennium bcp reflect the way that the Bank guides its action in relations with Stakeholders.

OUR VALUES INSPIRE US

RESPECT FOR PEOPLE AND INSTITUTIONS	FOCUS ON THE CLIENT	WORKING FOR EXCELLENCE	TRUST	ETHICS AND RESPONSIBILITY
<p>Respect for others, for people and Institutions is a principle that inspires us.</p> <p>We are a responsible actor in society and we believe that our existence makes sense only if we contribute to the common good.</p>	<p>We see the world through our Clients' eyes because we aspire to satisfying all of their needs and to helping them fully realize their dreams.</p>	<p>We believe in the value of excellence. We strive to develop the best products and services and we persistently seek out new solutions, as long as new means better.</p>	<p>We want to develop relationships that last.</p> <p>The trust of our Clients is the most valuable asset we have in our care, the one true tribute to our performance and that trust serves as permanent motivation for us.</p>	<p>We act consciously and with consequences.</p> <p>Millennium bcp is aware that business ethics are only complete if they guarantee the sustainability of the enterprise, improve living conditions for all and improve the future of our planet.</p>

HISTORY

Since its foundation up to the present date, Banco Comercial Português has lived a success story, during which it has become, over this quarter of a century, a leading bank in Portugal and a reference institution in various areas in the different markets in which it operates under the Millennium brand.

Incorporation and organic growth

Banco Comercial Português was incorporated in 1985 as a limited liability company (“sociedade anónima”), registered at the Commercial Registry of Porto with a single register and fiscal number of 501 525 882, and is organised under the laws of the Portuguese Republic, in the wake of the deregulation of the Portuguese banking system, which allowed private-capital commercial banks to be established. The Bank was founded with the support of a group of over 200 founding shareholders and a team of experienced banking professionals who sought to capitalise upon the opportunity to form an independent financial institution, operating primarily in Portugal, that would serve the underdeveloped domestic financial market in areas and in a manner previously unexplored by the state-owned banks.

The first stage of the Millennium Group development was characterised primarily by organic growth and, until 1994, the Bank was able to significantly increase its share of the Portuguese financial services market by exploiting the market opportunities presented by deregulation. In 1994, Banco Comercial Português gained market shares of 8.3% in total assets, 8.7% in loans to customers and 8.6% in deposits, according to information released by the Portuguese Banking Association (“Associação Portuguesa de Bancos”).

Development in Portugal by acquisitions and partnerships

After 1994, competition in the domestic banking market intensified following the modernisation of existing financial institutions and the entry of new foreign and domestic deposit taking banks and non-deposit taking financial institutions. The Bank decided to acquire a domestic bank with a complementary business focus to secure additional market share in domestic banking, insurance and other related financial services sectors. In March 1995, the Bank acquired control of Banco Português do Atlântico, S.A. (“Atlântico”), which was then the largest private sector bank in Portugal. This followed a joint take-over bid for the whole share capital of Atlântico, launched together with Companhia de Seguros Império (“Império”), a Portuguese insurance company. In June 2000, Atlântico was merged into the Bank.

The joint takeover bid for the whole share capital of Atlântico led to further co-operation between the Bank and the José de Mello Group, which was Império’s largest shareholder. This culminated in the merger of the Bank’s financial services business with that of the José de Mello Group in January 2000. The merger included the purchase from the José de Mello Group, of its subsidiaries Uniparticipa and Finimper which, in turn, controlled 51% of the share capital of each of Banco Mello and Império, respectively. Subsequently, the Bank launched public offers for the minority interests in Banco Mello and Império. In June 2000, Banco Mello was merged into the Bank.

In March 2000, the Bank reached an agreement with Caixa Geral de Depósitos (“CGD”) for the purchase of a controlling stake in Banco Pinto & SottoMayor (“SottoMayor”), held by CGD. In April 2000, the Bank purchased, in a public tender offer, a majority interest in SottoMayor from CGD and the remaining shares in SottoMayor from its minority shareholders. In December 2000, SottoMayor was merged into the Bank.

With a view to strengthening the focus on the core business of distribution of financial products including bancassurance, and to optimise capital consumption, important agreements were established in 2004 with Caixa Geral de Depósitos and Ageas Groups relating to non-bancassurance insurance. Within the scope of this partnership, Ageas increased its shareholding in the Bank to 4.99% in September 2005. In September 2007, Ageas disposed of its qualified holdings in the share capital of BCP.

BCP made a preliminary public announcement in March 2006 for the launch of a General Tender Offer for the acquisition of the shares representing the total share capital of Banco BPI, S.A. (“BPI”), the offer was not successful.

Internationalization

The Bank took a clear decision to opt for an internationalisation strategy, after the consolidation of its relevant position in the Portuguese market. From the beginning, the aim underlying the involvement in a process of internationalisation was the desire to participate in businesses with strong growth prospects in foreign markets with a close historical connection with Portugal and with businesses that have large communities of Portuguese origin - including Mozambique, Macao, Luxembourg, France, USA and Canada - as well as in markets where there is a strong commercial rationale for establishing banking operations following a similar business model to the one the Bank has adopted in its Portuguese market - including Poland and Greece.

The access to specialised knowhow and the new organisational capabilities led to the development of strategic partnerships with selected foreign financial institutions. These included alliances with Fortis (currently, Ageas) for bancassurance in Portugal, Eureko for bancassurance in other markets, Banco Sabadell in Spain (wherein the Group provides support to Banco Sabadell customers in Portugal while Banco Sabadell provides support to the Group's customers in Spain), and F&C Investments, for the asset management activities of the Group, and, in 2007, the establishment of a partnership with Sonangol, providing for the subscription of up to 49.99% of Banco Millennium Angola through a capital increase of the former.

In 1998, the Bank entered into a partnership agreement with the Polish financial group, BBG, pursuant to which it launched a retail operation with BBG in the Polish market under the name "Millennium". This joint venture was controlled jointly by the Bank and BBG. As part of a restructuring of BBG in 2002, the Bank and BBG decided to merge their Millennium joint venture into BBG and to establish one banking operation. During the fourth quarter of 2002, the Bank increased its shareholding in BBG to 50% of its share capital. At the start of 2003, BBG changed its name to "Bank Millennium" and, in December 2006, a further 15.51% of Bank Millennium's share capital and voting rights was acquired, increasing the Bank's participation to 65.51% of Bank Millennium's share capital and voting rights.

In July 1999, the Bank and Interamerican Hellenic Life Insurance Company S.A. ("Interamerican"), one of the largest Greek life insurers and a wholly owned subsidiary of Eureko, launched a joint greenfield retail banking operation in the Greek market, NovaBank. Following the April 2005 acquisition of the remaining 50% of NovaBank's share capital, BCP wholly owned NovaBank. Following the brand change in all its Group operations in 2006, Novabank started to operate under the name of Millennium Bank.

In 2000, the Bank included its insurance operation centred around Pensões Gere SGPS, S.A. in the capital of the pan-European insurance alliance Eureko B.V. (presently Achmea B.V.), of which it held around 23% of the share capital, having joint control of the company with the Association Achmea. The failure of the project to list the shares of Eureko B.V. in the stock exchange, associated with the consequences for the insurance sector of the crisis after the September 11, 2001 attacks, led BCP to repurchase Seguros e Pensões Gere, SGPS, S.A. in 2002, decreasing its stake in Eureko to about 5%.

In 2005, BCP participated in the process of the privatisation of Banca Comerciala Romana ("BCR") with the aim of acquiring a controlling participation in the share capital of BCR held by the Romanian State. The rationale behind the participation in the process of privatisation of BCR was based on its potential contribution to the transformation of BCP into a multi-national bank operating not only in Portugal but also in emerging European countries and/or conforming to European Union standards. BCP was selected (short listed) by the BCR Privatisation Commission and by the Romanian Authority for Assets Recovery ("AVAS") as one of the two institutions that went through to the next stage of the privatisation process. However, BCP was not selected as the acquirer of BCR, as its financial offer was not the highest price offered. In October 2007, BCP launched a Greenfield operation in Romania.

In May and September 2008, BCP signed strategic partnership agreements with Sonangol - Sociedade Nacional de Combustíveis de Angola, Empresa Pública ("Sonangol") and Banco Privado Atlântico S.A. ("BPA"). The group of interlinked agreements that govern this partnership include a framework agreement that foresees, notably, an indicative qualified stake of Sonangol in the share capital of BCP and, while this stake remains as such, a presentation to the shareholders of BCP of a proposal for the appointment of a member agreed with Sonangol to be a member of the Supervisory Board and the Senior Board of BCP, as well as consultation principles that will govern the evolution of the qualified stake referred to.

The partnership also contemplated the acquisition of up to 49.9% of the share capital of Banco Millennium Angola ("BMA") by Sonangol and by Banco Privado Atlântico by means of a share capital increase to be subscribed in cash, which took place in February 2009. Under the terms of the agreements, BMA maintains its current nature as Banco Comercial Português subsidiary, but will benefit from the reference participations therein held by Sonangol and BPA. Under the agreement, BMA acquired a 10% stake in BPA's share capital.

Process of restructuring involving divestiture of non strategic assets

During 2005, important operations were carried out in the matter of the sale of or reduction of exposure to non-core assets, particularly: completion of the sale of Crédilar; the agreement for the sale of Santander Consumer Finance of BCP's holding in Interbanco (50.001% of its share capital); the agreement with Hong Kong-based Dah Sing Bank Limited for the sale of the banking and insurance businesses carried out in Macao, while ensuring the continuation of the local Millennium bcp branch; the sale of shareholdings in Friends Provident, Banca Intesa, PZU, and reduction of the holding in EDP.

These were measures of strategic nature, aiming to restructures bank's activity related to its core business, that generated considerable capital gains and made a material contribution to an increase in the Group's own funds.

Still in 2005, BCP completed the divestment in the insurance sector, selling to Group CGD 100% of the share capital of the companies Império Bonança - Companhia de Seguros, S.A., Seguro Directo Gere - Companhia de Seguros, S.A., Impergesto - Assistência e Serviços, S. A. and Servicocomercial - Consultoria e Informática, Lda. and entering into an agreement with Ageas under which the parties created a partnership for bancassurance, through an insurance company named Millennium bcp Fortis (presently, Millennium bcp Ageas Grupo Segurador SGPS, S.A. - "Millennium bcp Ageas"). The Group holds 49% of the share capital of Millennium bcp Ageas, while the remaining 51% are held by Ageas.

During 2006, important operations were carried out in the matter of the sale of or reduction of exposure to non-core assets, particularly: conclusion of the sale of the 50.001% stake in Interbanco, S.A., in a transaction that had been announced on 5 August 2005; completion of the sale of 80.1% of the share capital of Banque BCP France and Banque BCP Luxembourg to the French financial institution, Groupe Caisses d'Épargne - the Group retained 19.9% participation in both the French and Luxembourg operations and established cooperation agreements with the buyer for developing cross-border remittances in both markets; closing of an agreement with the Canadian financial institution BMO Financial Group (formerly the Bank of Montreal) in respect of the sale of the whole of the share capital of bcpbank Canada; and the closing of an agreement by BCP and BCP Pension Fund with EDP - Energias de Portugal S.A. with a view to the sale of the whole of BCP's holding in ONI SGPS S.A., corresponding to 23.062% of its share capital.

Already in February 2010, an agreement was signed with the financial institution Credit Europe Bank, N.V., a wholly owned subsidiary of Fiba, Holding, A.S., in order for Banco Comercial Português Group to sell 95% of Millennium Bank AS in Turkey for a total price of approximately euro 58.9 million subject to a final adjustment when the transaction is completed. Banco Comercial Português will retain a 5% stake in the company, having agreed with the buyer a put and call mechanism to sell the remaining stake for a price per share no lower than the price agreed for the majority stake.

In March 2010, Banco Comercial Português informed that it had decided to exit the U.S. market. Pursuant to this objective, BCP has signed a purchase and assumption agreement with Investors Savings Bank to sell all the branches of Millennium bcpbank in the United States of America ("USA") and deposits of approximately USD 627 million. Following the purchase and assumption agreement, the parties intend to enter into a Loan Purchase agreement under which Investors Saving Bank will purchase a portion of Millennium bcp bank's loan portfolio. BCP has also established a cooperation agreement with the buyer for financial remittances from the USA. As a result of this transaction, BCP will no longer develop new retail commercial activities in the USA.

Strategic commitment to the Polish operation

In December 2011, Banco Comercial Português, after considering different scenarios for creating value for the operations in Poland, some of them involving offers received for the acquisition of Millennium bcp's shareholding in Bank Millennium, concluded that the option that best protected the interests of all stakeholders and that best preserved its ability for creating value was to maintain its stake in Bank Millennium. Hence, BCP reaffirmed its confidence in the Polish economy, and remained committed to continuing to support the organic growth of Bank Millennium, anchored on its strong retail franchise, a low risk credit portfolio, and efficiency and productivity gains. One must also underline that, according to the respective business plan, the operation in Poland does not require additional capital or liquidity reinforcement in the future, quite the contrary, it is expected that it may significantly contribute to generate earnings for the Group and to accomplish the designed schedule for the return of the public investment.

BUSINESS MODEL

NATURE OF OPERATIONS AND MAIN ACTIVITIES

The Group is engaged in a wide variety of banking and related financial services activities, in Portugal and internationally. The Bank operates in foreign markets, being present in the following markets: Poland, Mozambique, Angola, Switzerland, Greece and Romania. In Portugal, the Bank's operations are primarily in Commercial Banking, but it also offers a range of additional financial services. The Bank also engages in a number of international activities and partnerships.

The Bank presents a complete range of banking products and services, including demand accounts, instruments of payment, funds transfers, saving products, investments, mortgage-loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others. The Bank's domestic activities are conducted mainly through its distribution network in Portugal, which follows a segmented approach to the Portuguese market and serves the diverse banking needs of specific groups of customers. Back office operations for the distribution network are integrated in order to explore economies of scale.

The Bank has subsidiaries that offer additional financial services, including asset management and insurance. These subsidiaries generally distribute their products through BCP's distribution networks. The Bank's Commercial Banking and related financial services activities, together with its international operations and partnerships, are described in greater detail below.

DISTINCTIVE FACTORS AND SUSTAINABILITY OF THE BUSINESS MODEL

Millennium bcp is the largest private national bank

Millennium bcp is the largest private national bank, with a prominent position in several products, financial services and market segments based on a strong and very significant franchise in Portugal. At the end of the first half of 2012, Millennium bcp had the largest banking distribution network in the country - 862 branches, serving more than 2.4 million Customers, making it the second bank (the first privately held) in terms of market share, both in loans to customers (about 19.3%) and in customer deposits (about 17.3%).

Millennium bcp provides a unique service in terms of quality, with innovative and tailored products and services, covering the entire financial needs and expectations of its Customers. The Bank offers its Customers a wide range of products and banking and financial services, ranging from current accounts, payments, savings and investment products to private banking, asset management and investment banking, mortgages, consumer credit, commercial banking, leasing, factoring and insurance, among others, serving its Customer base in a segmented way.

In addition, the Bank provides remote banking channels (phone and Internet banking) that work as distribution points for its products and financial services. Remote channels are also the basis of a new banking concept, based on the platform ActivoBank, as the preferred way to serve a number of urban Customers that are young at heart, intensive users of new communication technologies and that appreciate simplicity, transparency, trust, innovation and accessibility in their relationship with the bank.

Resilience and sustainability of the business model

The Bank's soundness is based on a certified and distinguished business model, as evidenced by the performance indicators and external recognition (mirrored by the significant number of awards obtained and, in particular, by the high satisfaction levels of its Customers). The business model proved its resilience, associated to its focus on retail banking, which is more stable and less volatile, and with reduced weight of financial operations; to the resilient banking product, even in the context of today's most serious financial crisis of decades; and to the high levels of efficiency, which have been reinforced since 2008 through cost reduction efforts.

Focus on Customer

The 'Focus on Customer' is a critical factor for the commercial success of the Bank. Such focus has been one of Bank's values and strategic pillar since its foundation and it has grown even stronger as from 2009, when the Bank elected to strengthen the commitment to Customers as one of its priority strategies, and implemented a number of initiatives in this area, with special highlight for the programmes of getting closer to the Customer base and of attracting new Customers in all international operations.

Strengthening the relationship with Customers is among the initiatives recently implemented, which seeks to reinforce the policy of proximity and relationship with Customers. The objective is to increase the number of contacts and regularly monitor their activity in order to identify new business opportunities, as well as detect any signs of difficulty that will allow the Bank to take a preventive action. Millennium also promotes several events on a regular basis with Customers in order to share information; noteworthy for its importance is the Millennium Meeting programme with special interest both for Private and Corporate Customers.

In 2011, and as part of monitoring Customers, 21 studies of the different business segments, products and services provided were carried out. The studies were done by sending more than 890,000 inquiries by post and electronic mail, whose overall response rate was 7%. The detailed study carried out among Customers of the Retail Network identified the challenges and aspects that they value most in their relationship with the Bank (service quality, kindness and courtesy, competence of Employees). Confidence in the Bank was prominently the attribute chosen by Customers as the main reason to choose their main Bank.

Monitoring Retail Customer satisfaction with the global offer and service rendered led to the conclusion that high levels of satisfaction are maintained, anchored in strengthening the relationship with Customers, technical support and information / financial advice and adequacy of offer.

Overall index of Customer satisfaction of the retail network of Millennium bcp in Portugal (index points)

	2011	2010	2009
Overall satisfaction	80	80	79
Repurchase	80	80	79
Recommendation	82	83	82
Continuity	86	86	85

Additionally, the Bank enjoys a privileged recognition among SMBs, which are representative of the Portuguese business network (99.7% of the total number of companies in Portugal). According to the latest barometer of financial services in Portugal, the Bank has the highest rate of awareness and the largest number of references as the Bank mostly used by Portuguese companies.

Bank leader in innovation

Millennium bcp is positioned in the market as an innovative bank and with a strong tradition in innovation, being recognised by the market as a leading bank in innovation. Since the foundation of Millennium bcp up to the present date, innovation is and will continue to be a distinctive and differentiating value in relation to the competition, being present in the financial offer to Customers, in particular in credit and saving solutions, following a path of simplification and transparency in banking relations, especially in the channels of contact with Customers and in the actual concept of Banking, where ActivoBank is an example, in its service and model of interaction with Customers, adopting new technological trends concerning contact, expressed through the Internet and Mobile Banking, in internal processes and in operations, including the management of people and talent, in the business model - currently under reformulation - and in the communication strategy, both in terms of the message and the media.

The ActivoBank embodies a new banking concept, based on distinctive factors, such as branches with extended hours, bank access via smartphones, applications for investment support for iPhones. It was recognized by the international financial community, having been honoured with awards such as "Most Innovative Bank in Portugal" by World Finance magazine (Banking Awards 2011), "Best Consumer Internet Bank in Europe" and "Best in Mobile Banking", awarded by Global Finance magazine, among others, and the appointment as one of five finalists among approximately 200 applicants in the Global Banking Innovation Awards in the category "Disruptive Innovation" sponsored by the BAI. ActivoBank was also awarded by World Finance magazine as "Best Commercial Bank" in Portugal, in the context of World Finance Banking Awards 2012.

Having actively entered the Social Networks in May 2010, Millennium bcp currently has several dozens of thousands of "followers", in particular on Facebook, where the higher number of visitors and ongoing activity support a communication strategy that has proved to be particularly beneficial due to its immediacy and proximity to target groups. Always with the mission of taking value added to Customers and other public groups, the presence of Millennium bcp in the social networks has focused on publicising information of general interest regarding the activity of each of the areas present.

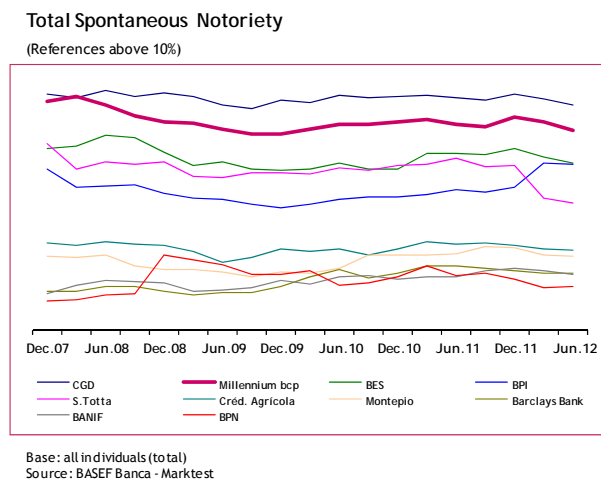
Having started its approach to these new channels through the entertainment topic with the “Stage Millennium” (official presence of Millennium bcp at Rock in Rio), the success of the initiative rapidly spread to other areas giving rise to the presence of “Millennium Mobile” (targeting a public particularly interested in new technology and online presence), “Microcredit”, “Millennium Suggests” and the “Millennium bcp Foundation” (closer to social responsibility) and recently, of a more commercial nature, “Millennium GO!”, a retail product targeting a younger age group. Careful management, with a coherent policy on contents and permanent supervision, has ensured that this experience in a new field has developed without major set-backs, and is currently supported by a large community which, in turn, is supportive and helps us to grow.

Millennium Brand

The Millennium brand constitutes a base for the entire offer of the Bank and a fundamental part of its commercial strategy with direct impact on its results, leading to the positioning of the Millennium bcp in the mind of its Customers and to the projection of credibility, strengthening the relation of trust in the Bank and creating feelings of loyalty, boosting the value of the brand.

The Millennium brand reflects a promise of value for Customers and enables the differentiation of the Bank and its service in relation to the competition, by clearly embodying the principles and values undertaken by Millennium bcp and perceived by the market, including, in particular, “Innovation”, “Modernity/Youth”, “Dynamism” and “Quality”, according to independent studies conducted by Marktest (BASEF) and Consultores Group (brandScore).

Millennium bcp is amongst the best in the indices in the banking sector in Portugal in terms of Brand awareness and Campaigns, according to the last available study of brandScore. In the latest BASEF study published by Marktest, Millennium bcp is in the first place, amongst the private banks operating in Portugal, in terms of “Total Spontaneous Notoriety”.



The international consultants Brand Finance publish the “Global Banking 500” study on an annual basis, which assesses the brand value of the 500 most valuable banking institutions of the world. In the study published in February 2012, the Millennium brand registered a value of 357 million USD (approximately 272 million Euros at the exchange rate on the date of the study), positioning as the 247th of the global ranking (2nd brand within the private owned financial institutions in Portugal).

Main awards received

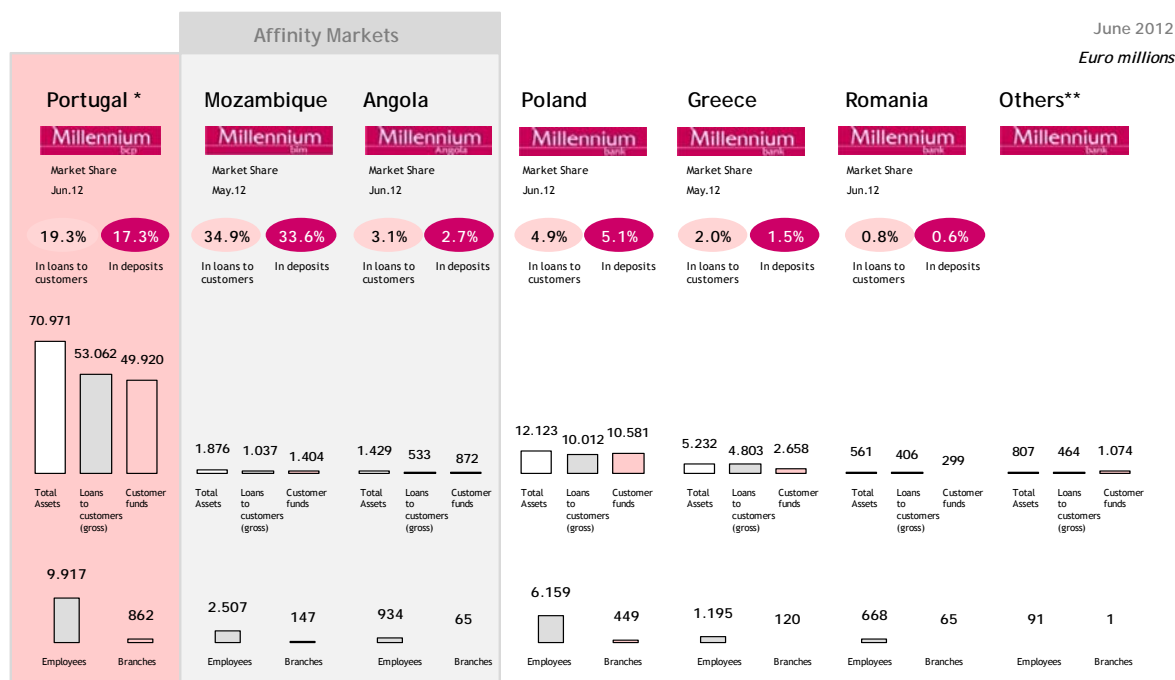
Several prizes were also awarded by independent recognized entities in the first half of 2012, as recognition of the quality of offer and service of Millennium bcp. Among which are the prize for “Best Bank in Portugal” by emeafinance for the second year in a row, “Banks of the year” by Marketeer magazine, “Best Commercial Bank” in Portugal granted to ActivoBank by World Finance, “Trusted Brand” in the health insurances category by the readers of the Reader’s Digest magazine, by the fourth year in a row. Internationally, Millennium bim was considered, by the third year in a row, “Best Bank” in Mozambique by Global Finance and Bank Millennium saw the Biznes Trade Account and Eko Energia Leasing won special awards of recognition in the categories “Best Banking Offer” and “Best Leasing Offer” in the 6th edition of the “Pearls of the FMCG market 2012” competition.

COMPETITIVE POSITIONING

With the largest network of branches in Portugal, and a growing network in the countries in which it operates, in particular in the African markets of affinity, Millennium bcp offers its customers a wide range of banking and financial products and services, from current accounts, instruments of payment, saving and investment products, to private banking, asset management and investment banking, including mortgage loans, consumer loans, commercial banking, leasing, factoring and insurance, amongst others, serving its Customers on a segmented basis.

Millennium bcp is a bank focuses on Retail where it offers universal banking services, seeking to concentrate all its relations with Customers. Supplementary, the Bank offers remote banking channels (banking service by telephone and Internet), which operate as distribution points for its financial products and services. The remote channels also underlie a new banking concept, based on the ActivoBank platform, as a privileged way of serving a group of urban Customers who are young in spirit, intensive users of new communication technologies and value simplicity, transparency, trust, innovation and accessibility in banking relations.

Millennium bcp is present in five continents through its banking operations, representation offices and/or commercial protocols, corresponding to approximately 5.5 million customers by the end of 2011. In first half of 2012, the Bank maintained the focus on retail distribution in Portugal and in markets that ensure a competitive presence and significant position in the medium long term. All the operations develop their activity under the Millennium brand.

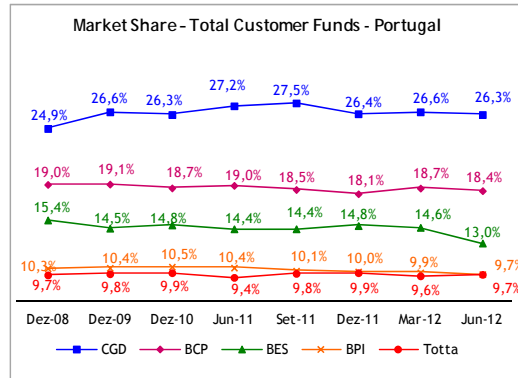
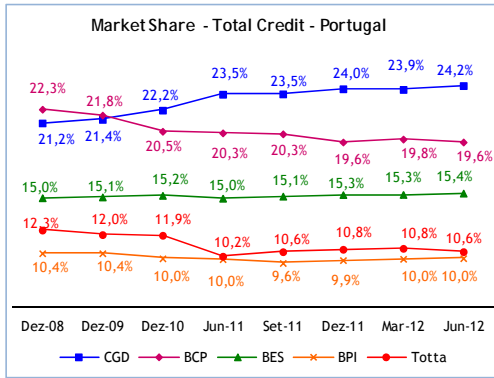


Source: BCP. Market shares in Portugal are based on Bank of Portugal and Portuguese banks' public data. Market shares in Poland are from the National Bank of Poland. Market shares in Greece are based on Bank of Greece and Greek banks' public data. Market shares in Mozambique are based on Bank of Mozambique public data. Market shares in Angola are based on National Bank of Angola public data. (*) Includes Macao; (**) Millennium BCP Banque Privée, BCP Bank & Trust, Consolidation adjustments.

PORTUGAL

Millennium bcp is Portugal's largest private banking institution, with a leadership and a prominent position in several products, financial services and market segments based on a strong franchise of great presence in Portugal. By the end of the first half of 2012, Millennium bank had a network of 862 branches and 9.917 Employees in Portugal.

Notwithstanding the adverse environment experienced in the first half of 2012, arising from the sharp deterioration of the sovereign debt crisis and process of macroeconomic adjustment agreed with the troika, on the one hand and, on the other hand, by the uncertainties regarding the evolution/composition of the Eurozone, reflected in pronounced adjustment processes by the Portuguese Banks, including deleveraging programmes and initiatives to strengthen capital, Millennium bcp has maintained its relative position in the national market, both in loans, and in funds.



INTERNATIONAL

Millennium bcp pursues the expansion plans of its operations in Africa. At the end of the 3rd quarter of 2011, Millennium bim reached the milestone of 1 million active customers (more than 1.1 million in June 2012) and Millennium Angola inaugurated, recently, its 65th branch. Millennium bim is the leading bank in Mozambique, with a market share of 34,9% in loans and advances to customers and 33,6% in deposits. In Angola, the Group aspires, with the investment in progress, to become a reference player in the sector, with market shares above 10% in the medium term. By the end of first half of 2012, the Bank had a market share of 3.1% in loans and advances to customers and 2,7% in deposits. Special reference should also be made to the awards received by Bank's operations in these regions from several renowned entities. Thus, Millennium bim was recognised as the "Best Banking Group in 2012" in Mozambique and "Best Local Bank in Africa" and Millennium Angola as the "Best Banking Group/Bank in 2011" and "Most Innovative Bank" in Angola.

In Poland, by the end of the first half of 2012, Millennium Bank had a market share of 4.9% in loans and advances to customers and 5,1% in deposits. Since Millennium bcp considers that a sustainable position in the banking market in the different geographical areas in which it operates involves a presence with market shares above 5%, the Group, under the adjustment of its strategic agenda announced in July 2011, analysed various options, including those arising from the offers received of acquisition of BCP's shareholding on Bank Millennium, and concluded that the option which is most in the interest of its Stakeholders and best fosters the creation of value is that of the maintenance of BCP's shareholding on Bank Millennium, having reaffirmed its commitment to the organic growth of the Polish operation.

In Greece, in June 2012, the Group had a market share of 2.0% in loans and advances to customers and 1.5% in deposits, while in Romania the market share in loans and advances to customers and in deposits, reached 0,8% and 0,6%, respectively. In both operations, where its presence, in the context of these markets, isn't relevant, the Group is currently appraising various operations in order to create value, which might involve the reduction of its exposure and/or search for partners to support expansion plans.

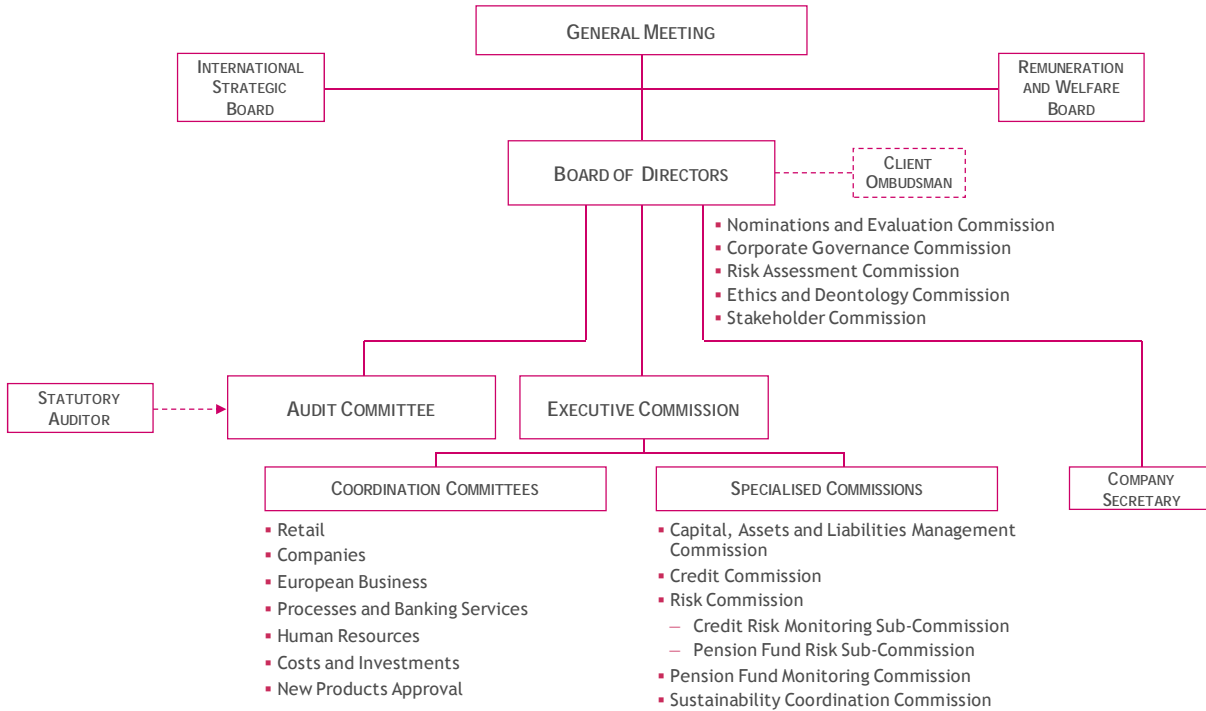
INNOVATION

Millennium bcp is positioned in the market as an innovative bank and with a strong tradition in innovation, being recognised by the market as a leading bank in innovation. Since the foundation of Millennium bcp up to the present date, innovation is and will continue to be a distinctive and differentiating value in relation to the competition, both in national and international operations, being present in the financial offer to customers, in particular in credit and saving solutions, following a path of simplification and transparency in banking relations, especially in the channels of contact with Customers and in the actual concept of Banking, where ActivoBank is an example, in its service and model of interaction with customers, adopting new technological trends concerning contact, expressed through the Internet and Mobile Banking, in internal processes and in operations, including the management of people and talent, in the business model - currently under reformulation - and in the communication strategy, both in terms of the message and the actual media. The ActivoBank embodies a new banking concept, based on distinctive factors, such as branches with extended hours, bank access via smartphones, applications for investment support for iphones. The ActivoBank opened eight branches in 2011, consolidating the leading role that the bank holds in the national innovation market. It was recognized by the international financial community, having been honoured with awards such as "Most Innovative Bank in Portugal" by World Finance magazine (Banking Awards 2011), "Best Consumer Internet Bank in Europe" and "Best in Mobile Banking", awarded by Global Finance magazine, among others, and the appointment as one of five finalists among approximately 200 applicants in the Global Banking Innovation Awards in the category "Disruptive Innovation" sponsored by the BAI. ActivoBank, in 2012, was yet awarded by the World Finance magazine as "Best Commercial Bank" in Portugal, in the scope of the World Finance Banking

Awards 2012 and by Global Finance as “Best in Social Media”, “Best Website Design” and “Best Consumer Internet Bank”.

INTERNAL ORGANISATIONAL MODEL

As at 28 February 2012, it was held a General Meeting of Shareholders of Banco Comercial Português, SA, being approved the alteration and restructuring of the articles of association of the company, which was consolidated in the adoption of an one-tier management and supervision model, composed by a Board of Directors, an Audit Committee and Statutory Auditor, as well as the creation of an International Strategic Board.



As at 30 June 2012, the internal organisational model of Millennium bcp covered four business areas: Retail, Companies, Asset Management & Private Banking and Business Abroad (Europe, Africa and Other), and two support units - Processes and Banking Services and Corporate Areas.



*The Marketing Management Department registers the two Committees.

** Consolidated by the equity-method

*** Partnership agreement with Private Bank Atrantico, S.A. for the creation/acquisition of a bank in Brazil aiming to exploit the Brazilian market.

Note: The Internal Organization Model is structured according to the criterion of geographic segmentation (vs. Business in Portugal, Foreign Business).

COMMITTEES AND COMMISSIONS UNDER THE EXECUTIVE COMMISSION

On 30 June 2012 there were seven Coordinating Committees, which are intended to facilitate the current management decisions coordination involving the Head of Departments of the Departments integrated in each of the Business Areas and in the Banking Services Unit, with the mission of aligning perspectives and supporting management decision-making by the Executive Commission:

Retail Coordination Committee

Ensures monitoring and management of retail clients, in order to analyze the activity of the Bank in this area and find the best solutions for business development and retention in the various segments. Its main functions are the monitoring of activity and results related to Small Businesses and Individuals Customers and analysis of the achievement of goals, setting priorities for commercial action and for the approval of products and services to retail customers by analyzing the business environment and to propose commercial actions to address to this environment, the analysis of key risk indicators associated with the Small Businesses and Individuals Customers and the analysis of models of Individuals Customers' migration in relation to their value proposition and within the Bank networks.

This Committee has deliberative powers in all matters regarding to management actions in the Business Areas that integrate it. Decisions beyond the current management of these areas or that are not incorporated in the plan and budget of the Business Areas will have the nature of proposals for submission to the Executive Commission. It also has also the responsibility for the adequacy and implementation in areas that it coordinates of policies set by the Executive Commission on Staff Management, particularly in terms of remuneration policies and career management.

Companies Coordination Committee

Ensures analysis, preparation and planning of monitoring and developing the Bank's business in the SME, Corporate and Investment Banking segments. Its main functions are the monitoring of activities related to Companies and Corporate Clients and analysis of compliance with the objectives, definition of priorities guiding commercial actions, responsible by the approval of products and services to launch, by analyzing the business environment and propose commercial actions to address to this environment, the analysis of key risk indicators associated with the business in this segments and analyzing the business models of articulation regarding their migration in the value proposition and within the Bank networks.

This Committee has deliberative powers in all matters regarding to management actions in the Business Areas that integrate it. Decisions beyond the current management of these areas or that have not incorporated in the plan and budget of the Business Areas will have the nature of proposals for submission to the Executive Commission. It also has the responsibility for the adequacy and implementation in areas that it coordinates of policies set by the Executive Commission on Staff Management, particularly in terms of remuneration policies and career management.

Coordinating Committee of Business in Europe

Monitors the activity in the foreign operations that the Group has in the European territory. Its main functions are the analysis of the evolution of activities in the various European operations, the study of the best solutions to control costs, increase efficiency and rationalize the activity of various banks, monitoring the process management model and the governance structure of the various operations and the definition of main policies and guidelines for each operation.

Also monitors the main lines of action, approved by the Headquarters and the Bodies of the European operations. It has jurisdiction to formulate proposals to align procedures and actions, provided they are consistent with the respective markets.

Coordination Committee for Banking Services and Processes

Monitors the activity of the large areas of support services to the front end of the Bank and the search for fundamental mechanisms and processes to increase efficiency, reduce costs and improve business processes and monitoring of the structure of processes management implemented at the Bank. The main functions are the analysis of the evolution of the activities of the areas that integrate this Committee, the study of the best solutions to control costs, increase efficiency and to rationalize the Bank's activity, monitoring the process management model, the governance structure and the creation of new processes, defining and streamlining the functions and responsibilities of process owners, for approval of proposals for innovation in the management of the Bank and the optimization of use of resources, the definition of procurement policies and control third-party services used by the Bank, the definition of procurement policies, monitoring and control of outsourcers

and other external services and defining metrics analysis and evolution of the variables controllable by the Committee of areas in order to continuously measure the levels of efficiency and resource productivity.

This Committee has deliberative powers in all matters relating to the management actions in the Areas that integrate it. Decisions beyond the management of these areas or that have not incorporated the plan and budget areas will have the nature of proposals for submission to the Executive Board shall decide in the end. It also has the responsibility for the adequacy and implementation in areas that coordinates the policies set by the Executive Committee on People Management, particularly in terms of remuneration policies and career management.

Human Resources Coordinating Committee

Ensures the setting, approval and monitoring of HR policies to support the Bank's operational efficiency and business, aiming to widespread accuracy and meritocracy promoted through a strong, enthusiastic and closer to the employees leadership, based on the experience of the Millennium values. The main function is for setting the strategy and approval of Human Resources policies of the Bank.

This Committee has deliberative powers in all matters relating to policies and actions of Staff management.

Costs and Investments Committee

Regularly monitors and manages the procurement process of goods and services for the Bank, which is to be classified as costs, annual or multi-annual and integrate Fixed Assets or Other Administrative Costs. In the scope of the Committee' activity is included the promotion and assessment of the operational optimization processes or negotiations that allow the attainment of higher levels of efficiency by the Bank. The main functions of the Committee consist of the regular monitoring of developments in the most relevant contracts of the Bank and the respective business processes, monitoring of operational optimization processes with special focus on negotiations or purchases processes, in authorizing expenses to between 375 euros and 5 million euros, if budgeted, or to between 100 mil euros and 250 mil euros, if not budgeted; in the approval of the proposals of expenses to be decided by the Executive Commission exceeding 5 million euros, if budgeted, or over 250 thousand euros, if not budgeted; in the issuing of an opinion to the Executive Commission regarding Orders or Rules involving matters within its competence.

The Committee's deliberative powers in all matters relating to expenses in accordance with those in its roles. In the event that the expenses made by the Bank shall not exceed one million euros in the case of amounts budgeted, or 150 thousand euros, for amounts not budgeted it is enough the presence of two Directors, one being the Administrator with responsibility for the Administrative and Logistics Department (DAP), and the Coordinating Manager of DAP and the Coordinating Manager of Information and Technology Department or the relevant technical area responsible for the request.

Approval of New Products Committee

Ensures the verification of compliance with the formal principle of authorization and the approval process of products and services to be marketed by the Marketing Departments in different Millennium bcp commercial networks, in a strict compliance with internal regulations. The main functions of the Committee are to analyze the good conformity of the proposals in terms of form and content, to analyze the risks inherent to the content presented, confirming the correct identification of risks associated with product and services placement by the Bank and to confirm that adequate procedures to minimize risk are implemented and at the same time ensuring that adequate hedging strategies are implemented.

The Committee has the power to i) consider and decide on the marketing of new products and services in the Bank; ii) to consider and discuss the impact of significant changes in marketing products; iii) order the removal of products or services marketed that are not are in accordance with the Approval of New Products Policy (PANP); iv) to have correct and rectify certain characteristics of products and services marketed in order to adapt them to the principles set out in PANP; v) ensure that the events of procedures for approval and launch of new products not compliant are properly corrected and disciplinary measures are taken for those responsible for breaches; vi) ensure that the products marketed are properly monitored and that the risk management policy defined at the time of its creation is followed; vii) ensure that the various procedures of the process of creating and approving new products are properly implemented and that all relevant areas are involved in since the beginning of the process; viii) consider any instructions or other communications relating to products and services stemming from the supervisors; ix) other as assigned by the Executive Commission at all times.

There are five Commissions that emanate from the Executive Commission, essentially with overall and transversal duties, responsible for pursuing the study and assessment, for each area of intervention, of the policies and principles which should guide the action of the Bank and Group. These commissions are:

Capital, Asset and Liabilities Management Commission (CALCO)

This Commission is responsible for the monitoring and management of market risks associated to the structure of assets and liabilities, the planning and proposals of capital allocation and proposals for the definition of suitable liquidity and market risk management policies, at the level of the Group's consolidated balance sheet.

Delegated Credit Commission

This Commission deliberates on the granting of loans and advances to Customers, pursuant to the Credit Regulation.

Risk Commission

This Commission is responsible for overall risk levels (credit, market, liquidity and operating risk), ensuring that these risks are compatible with the objectives and available financial resources and strategies approved for the development of the Group's activity. As part of the Risk Commission still run the Credit Risk Monitoring Sub-commission and the Pension Fund Sub-commission.

Credit Risk Monitoring Sub-commission is responsible for monitoring the evolution of credit exposure and the contracting process; monitoring the evolution of the portfolio's quality and key indicators on performance and risk; monitoring the counterparty risk and concentration risk of the highest exposures; monitoring the evolution of impairment and the main cases of individual analysis; analysis of the performance of the recovery processes; monitoring of property portfolio divestment; preparation of proposals for the definition of policies and rules on credit concession; monitoring of the PD and LGD models; and monitoring of the models underlying the calculation of impairment and monitoring of the automatic decision-making and loan recovery processes.

Pension Fund Risk Sub-commission is responsible for monitoring the performance and risk of the Group's Pension Funds and establishing appropriate investment policies and hedging strategies.

Pension Fund Monitoring Commission

This Commission has the powers set out in the Law on Pension Funds, including advice on preparing amendments to the constituent contracts and monitor the financial management of pension funds. The representative of the Workers Commission takes a place, courtesy of one of its members, by invitation of the Executive Commission of BCP.

Sustainability Coordination Commission

This Commission is responsible for the submission of proposals for decision-making on topics related to the action plan based on the sustainability policy, monitoring and reporting on the degree of achievement of the approved initiatives, and supervision of the preparation of reports and other communication formats in the area of sustainability.

TRENDS INFORMATION

The interaction between the sovereign debt risks, the financial system and the economy became more pronounced in 2011, both internationally and in Portugal, resulting in an even more challenging framework for the development of the banking activity. The sharpening of the funding difficulties of the Portuguese Republic in the international markets led the Government to formally request for assistance to the European Authorities and to the International Monetary Fund (“IMF”), which resulted in an economic and financial aid plan. Therefore, since May 2011, Portugal has undertaken to comply with a medium-term Programme of Economic and Financial Support, jointly negotiated and supported by the IMF and the European Union.

In a context of great uncertainty, in particular with regard to the mechanisms for overcoming the sovereign debts crisis in the Euro Zone, the challenges faced by the Portuguese economy and by the financial system have increased. The Portuguese banks are confronted with the increase of the difficulties to access funding in the international wholesale debt markets. This, together with the requirements to strengthen the capitalization levels, the need to carry out an ambitious deleveraging process and a particularly adverse macroeconomic and financial context, as a result of austerity and consolidation of public finances measures, affects the activity, the profitability, the quality of assets and the solvability of all Portuguese banks. Nevertheless, Millennium bcp and the main national banks have demonstrated their resilience by successfully overcoming the European stress tests to date and by fulfilling the requirements of the European regulations in terms of capital and liquidity.

A concern to implement regulatory reforms, aimed at contributing to financial stability, i.e., to protect depositors, to strengthen their confidence in the banking system, to increase the commitment of the shareholders and holders of hybrid instruments with loss absorption, to reduce the effort for taxpayers, to reduce system’s risks by restraining leverage, by protecting the consumers and, at the same time, creating conditions for the banks to continue to granting credit to the economy (with more discretion and more targeted) was evident since the beginning of the international financial crisis.

Relevant regulatory changes, including those with regard to supervision bodies architecture (deposit guarantee schemes, Bail-in, CRD, Basel III, MiFID, EMIR, restrictions to CDS short selling, revision of the Market Abuse Directive, ESMA regulations regarding Rating Agencies, Solvency II, Remuneration of directors and members of the management and audit bodies, Corporate Governance, ESAs, SIFIs, among others matters) are already in the course of being approved and implemented, which may have a very significant impact on the dynamics and structure of the market in the coming years.

Since the beginning of the financial crisis in 2008, the Bank has been implementing a number of initiatives and measures aimed at strengthening its capital base, in particular with regard to the levels of share capital and own funds, liability management, asset management and transfer of liabilities of the Pension Fund to the Social Security.

Despite the fact that the Bank has currently reached historical highs levels of capitalization, the repeated increase of regulatory requirements (including the temporary requirement of even more demanding levels of own funds) imposed the need to increase Core Tier I in order to comply with the EBA requirements (higher than 9% on June 30, 2012, comprising a buffer for exposures to sovereign debt) and the Bank of Portugal (higher than 10% on December 31, 2012).

Several exogenous factors had a negative impact in the Core Tier I, in particular:

- downgrades of the sovereign ratings of Portugal and Greece in the risk weighted assets (equivalent to 151 million euros in Core Tier I, having regard to a 9% ratio);
- impairments registered with the Greek public debt (409 million euros after taxes) which also affected the Core Tier I ratio in 2011;
- EBA sovereign buffer, with the exclusion of the Greek public debt provisioned in 2011 (848 million euros);
- all other deductions required by EBA, in order to anticipate the Basel III rules (724 million euros, which result from the estimated value in 2012 of 50% of deductions due to financial investments and of the shortfall impairment against the expected losses of the exposures treated by the IRB method);
- capital losses resulting from the change to the accounting policy related to the recognition of the actuarial gains and losses associated to liabilities with pensions transferred to the Social Security on December 2011, including the value of the respective corridor, which the Bank of Portugal allowed to be neutralized up to June 2012 (439 million euros), and

- the need to establish a non-recurrent provision on June 2012, in the amount of 450 million euros, related with the expected need to strengthen the provisioning for the subsidiary in Greece, due to gradual deterioration of the local economic and financial situation.

The strengthening of Core Tier I also allows accommodating a set of endogenous factors, such as:

- Bank's vulnerability to strategic and financial investments which have an impact on its performance and capital (e.g. exposure to Greece);
- sensitivity of the loan portfolio (given the greater exposure to SMEs, as well as real estate development and construction sectors) arising out of the deterioration of the economic environment, which led to a significant increase of overdue loans and of the effort to set up provisions for impairments;
- refocus of the Bank in businesses with potential for value creation and growth, and
- the need to reduce operating costs in a lasting and significant way.

The Bank's decision to participate in the recapitalization program of the credit institutions allow the execution of public investment, which is expected to have the following components:

a) Subscription of shares by virtue of the underwriting of a share capital increase through new cash contributions, to be subscribed by its shareholders in the exercise of the legal right of preference, in a total expected amount of 500 million euros.

b) Subscription by the State of hybrid instruments eligible as Core Tier I capital (instruments which are fully redeemable by the Bank over a period of five years and which only in specific circumstances, including non-compliance or failure to pay, can be converted into shares of the Bank), in the total amount of 3,000 million euros, completed in 29 of June 2012.

The public investment is associated to a set of additional requirements, some of which resulting from the law, which are common in public investment operations in financial institutions with State support in other European countries, including investment restrictions, management and corporate governance limitations and a set of conditions related to market mechanisms.

Regarding the Bank, and as better detailed in the Plan of Recapitalization and corresponding attachments, we highlight the imposition a ban on:

- buy backs on hybrid instruments and subordinated debt, without the consent of the Finance Minister;
- coupon and interest payments on hybrid instruments and subordinated debt, where there is no legal obligation to proceed with such payment;
- on the acquisition of equity stakes in other companies, unless previously authorised by the Commission, the Finance Minister and the Bank of Portugal;
- dividends distribution up to the reimbursement of the public investment.

The following conditions were also established for the recapitalization:

- The Minister of Finance shall have the power to appoint a non-executive member of the management body and an additional non-executive member of the management body in its supervision functions, which will have a seat on the audit committee ("Appointed Members"). One of the Appointed Members will have a seat on the risk management and remuneration committees or similar.
- Remunerations and benefits of senior management will be subject to appropriate levels of transparency and scrutiny, in order to ensure it remains appropriate.
- The Finance Minister will be able to limit the commitment by the bank of further financial resources to any non-lending businesses, mergers or acquisitions by the bank.
- The bank is required to operate and maintain an internal specialized unit (or units) to be accountable for the management of problem and workout assets, in line with international best practices.

- The bank will take reasonable steps to help enhance the effectiveness of the Mediador do Crédito such as: more actively referring customers to the Mediador do Crédito; providing appropriate data to the Mediador do Crédito etc.
- The Bank shall commit at least 30 million euros per year in a fund (that may be managed by itself) and which will invest in holdings in SMEs and mid-cap corporates.

The Bank undertook to perform and fulfill the Plan of Recapitalization agreed (particularly in relation to the original timing foreseen for disinvestment of public funds pursuant to letter h) of article 2.2 of Portaria no. 150-A/2012 of 17th May or as updated by the bank pursuant to article 13 of the same Portaria, the rescheduling of the timeline for accomplishing the reimbursement of public investment by the bank not corresponding to a default of any legal or contractual obligations of the bank, providing the maximum 5 year investment period is complied with) and to meet the interest payments on hybrid instruments eligible as Core Tier I (8.5% on year 1), which will represent 255 million euros in the first year.

The targets of the Recapitalization Plan are ambitious. but its implementation will allow the Bank to comply with the minimum limits of Core Tier 1 set by the Bank of Portugal in Notice no. 3/2011 (9% at the end of December 2011 and 10% at the end of December 2012) and Notice no. 5/2012 (9% at the end of June 2012, calculated in accordance with more stringent criteria, in order to create a temporary buffer of capital), as well as those that result from the Basel III proposals, with adoption scheduled for 2013 and the staged introduction of the impacts due to the application of the new criteria over a transitional period that is expected to end on 31 December 2018.

The BCP has a value franchise in Portugal, is the largest Portuguese private banking institution, with the largest branch network, the second largest loan and deposits portfolio, and has an international presence of a strategic nature in Europe (Portugal and Poland) and in Africa (Mozambique and Angola), operations considered as essential to maintain in order to create shareholder value.

The pillars of the shareholder vision of the Bank correspond to the current market and regulatory demands: i) to maintain the integrity and consistency of the Group, ii) to preserve its attractiveness, iii) to enhance, as soon as possible, the full access to the capital markets, and iv) to capitalize its competitive advantages. Taken together, these priorities are intended to ensure the profitability of the assets and the capital invested, creating conditions for the reimbursement of the public investment and the valorization of the Bank's shares.

The management agenda for 2012 consolidates these priorities around 5 lines of action: i) financial strength, ii) strengthening the risk management and recovery processes, iii) profitability of the business in Portugal, iv) optimization of the management of the business portfolio, and v) simplifying the organization and insuring efficiency and cost reductions.

Until [the end of November], BCP expects to present to the Government a restructuring plan required by Portuguese law and the relevant European rules on state aid. On that basis, the Government will submit to the European Commission a restructuring plan, intended to demonstrate the bank's long-term viability, its own contribution to the recapitalization and restructuring efforts and to introduce measures intended to mitigate any potential competition distortions that might result from the allocation of the public investment. To this extent, the restructuring plan may have to provide for an additional set of measures and conditions associated to the approval of the public investment by the European Commission, including any obligations of behavioral and / or structural nature.

BCP is confident that the conditions currently provided in the Plan of Recapitalization and respective annexes are balanced and proportionate, having regard in particular to the exogenous and transitory factors which justify the recourse to the public investment, to the management model and to the bank's investment strategy, as well as measures to enhance financial strength that the Bank adopted over the past few years, so it will endeavour to minimize structural measures (or, at least, to limit their impact). Nevertheless, it is not possible to ensure which will be the understanding of the European Commission in this regard.

MACROECONOMIC ENVIRONMENT

OVERVIEW

During the second quarter of 2012 the risk of global economic recession increased, in contrast to the first few months of the year when activity was stronger. As a result, global economic policy turned even more expansionary and in fairly concerted way, both in terms of a review of the fiscal consolidation stance as well as by the lowering of reference interest rates, intervention in secondary debt markets debt and/or abundant provision of liquidity by the monetary authorities. In the coming months, decisions at the institutional and political level in the U.S. and the EU will remain key determinants of economic activity and of global confidence climate.

The general elections in Greece and the uncertainty with the success of the underlying economic adjustment program in conjunction with budgetary difficulties and instability of the financial system in Spain revived the doubts regarding the ability to forge a lasting political and financial compromise at the Community level to the European sovereign debt crisis. The European Summit at the end of June resulted in a series of measures aimed at mitigating the financial system instability, proposing, in addition to the program of assistance to the Spanish banking sector, a set of structural changes on the European banking system - "the Banking Union".

This context adds in relevance to the reduction of the sovereign risk premium of the Portuguese government debt, reflected in a substantial decrease of the yields of government bonds and of the interest rate implicit upon the issuance of Treasury Bills. On the other hand, the unemployment recorded a significant increase. Despite the challenging environment for achieving the nominal targets for fiscal consolidation for 2012 and 2013, the recurrent positive assessment by the external authorities of the evolution of the Portuguese economic adjustment plan and the progresses on the composition of economic growth are impacting favorably on the perception of the country risk, constituting an essential step for resuming regular financing in international markets in due time.

By the end of the quarter the process of strengthening the capital base of some domestic banks was concluded, in compliance with the implementation of the capital exercise held by the European Banking Authority (EBA). The major Portuguese banking groups recorded robust core Tier I ratios at the end of the semester that will be reinforced by operations of capital increase to be achieved by year end.

WORLD ECONOMIC ENVIRONMENT

The global economic recovery remains fragile. The IMF revised downward its forecasts for global economic growth expected for 2012 and 2013 to 3.5% and 3.9%, respectively. This stems from reviews both at advanced economies and at the group of emerging economies and developing countries, highlighting the exposure of the latest to the complex and slow moving improvements of the financial imbalances of the mature economies. To mitigate the risks of further worsening of economic activity, the IMF considers that may be needed a set of self reinforcing policies encompassing adequate financial conditions to the peripheral countries of the Euro Area, smoothing the fiscal tightening expected in the U.S. in 2013, and further economic stimulus by the emerging economies.

The tensions in the Euro area remained acute, with core member states exhibiting better economic activity and financial conditions than those experienced at the periphery, especially following the increasing difficulties reported by the Spanish banking system and the request for external assistance from Cyprus. The intricacy of a global solution, financially, economically and politically, has contributed to a climate of uncertainty that reinforces the fundamental problems through the worsening of financial conditions faced by economies under greater difficulty - capital flight, high risk premiums, dependence from the central bank, credit constraints - even if though partly offset by overly accommodative monetary policy. The contagion effects in the Euro Area became more evident during the second quarter of the year, as economic activity decelerated, employment stalled and industrial orders weakened in the core countries coupled with a severe deterioration in economic activity in the major peripheral countries, namely in Spain. Current forecasts point to a slight drop in real GDP for the Euro Area in 2012 and weak growth in 2013.

The European Summit held in June was somewhat innovative in the sense it focused on very practical measures to help mitigate the sovereign debt crisis in the Euro Area, in particular, with the formal disclosure of the project for the Banking Union and intervention in the secondary sovereign debt markets. The Banking Union proposal argues for reducing the interconnection between sovereign and bank risk by putting the ultimate bearer for the effective stability of European financial system at the Community level, notably with the introduction of a common supervisory authority, streamlining the recovery, restructuring or liquidation of financial institutions and strengthening of the support financial facilities, of the type of the European Stability Mechanism or the European wide deposit guaranteed funds. As in other initiatives, this project is fairly complex

to come into full force in 2013 but shows concern for a more structured European integration that requires greater harmonized at a fiscal level and economic policies promoting a more balanced growth within the European Union.

The main factors supporting the world economic activity in the short term rest in the economic convergence process of the emerging economies and any moderation in energy prices. However, emerging economies show a decreasing ability to sustain contagion, facing greater volatility in short term capital flows and decelerating exports, and the returning of a more expansionary drive of economic policies needs to be weighed against the risk of contributing to overheated economies.

GLOBAL FINANCIAL MARKETS

The slowdown in world economic activity and the persistence of an environment of uncertainty reflected in a significant increase in the climate of risk aversion, severe malfunction of the European money markets and, in selected cases, periodic negative interest rates on short term government securities. Monetary policy in advanced and emerging economies turned more accommodative. Several central banks lowered interest rates and maintained or strengthened their financial facilities for the purchase of public debt and / or provision of liquidity.

The ECB cut the main refinancing rate from 1% to 0.75% and the deposit rate to 0% and softened the requirements for collaterals eligible for the open market operations. The reduction of the deposit rate to 0% pretends to create a disincentive for the placement of excess funds at the central bank.

Given the fragility evidenced by the European economy, the market participants anticipate a further reduction of interest rates and the maintenance of a period of very low interest rates by the ECB. Consequently, there was a reduction of around 30 b.p. in the Euribor interest rates in the second quarter and the higher rated fixed income securities outperformed, particularly the German government bonds, whose yields reached historically low levels (occasionally negative at the shorter maturities).

The euro depreciated to around 1.22 per US Dollar, reflecting both the narrowing interest rate differential and the investors' concern on definitive solution for the sovereign debt crisis. Contrary to the recent past, the climate of risk aversion affected emerging markets financial assets, for example, the euro appreciated against a basket of Eastern Europe currencies, due to greater exposure to developments in EMU.

The policy measures provided a slight recovery of the major stock markets at the end of the semester but it insufficient to reverse the prior declines.

EVOLUTION OF THE PORTUGUESE ECONOMY AND OF THE BANKING BUSINESS

The better than expected economic performance during the first quarter (2.2% drop in economic activity in volume over the same period ago) was partly supported on non recurrent items. In the second quarter, real GDP dropped by 3.3% year-on-year, due to a significant contraction of domestic demand, in particular from investment spending. Despite some moderation from exports, the contribution from net external demand to growth should have increased in the period. This evolution is consistent with the revised economic scenario of the adjustment program that foresees a reduction of real GDP by 3.0% in 2012.

The adverse economic cycle coupled with the type of structural adjustment that is in due course are contributing for the intense upward drift of the unemployment rate (15% of the labour force in the second quarter). Risks for economic activity in Portugal remain biased towards the downside due to uncertainty of collateral effects emanating from the ongoing adjustment as well as further worsening of the external environment. The reduction of the external imbalance is proceeding at a fast pace, making it highly possible for Portugal to record a current account surplus over the medium term.

Portugal has dutifully delivered on the nominal targets in terms of consolidation of public finances and earned positive approvals from the external authorities, but the risks to meeting the public deficit targets for the 2012 and 2013 (4.5% and 3.0% of GDP, respectively) increased due to the bigger effort required from the social security, insufficient revenue and rulings from the constitutional court. The size of the slippage and the composition of supplementary measures consistent with fiscal sustainability in the long term will be important for the evolution of the confidence climate, both domestically and abroad.

At the end of the quarter the process of strengthening some domestic banks capital base was concluded, in compliance with the special capital exercise performed by the European Banking Authority (EBA) in late 2011. Some private banks have resorted to the Portuguese state recapitalization fund, totaling 4.5 billion euros, through the subscription by the state of financial instruments eligible as Core Tier I. Thus, the major Portuguese banking groups recorded robust core capital ratios Tier at the end of the semester, which should be reinforced through ordinary capital increase to take place until the year end.

The main trends on banking activity didn't change meaningfully, with reduced lending and higher customer deposits, as households' savings remain well supported, but with a significant increase in overdue loans, mostly in the corporate segment. The higher banks' capital ratios, easier access to ECB's liquidity, the strengthening of EU funding facilities and the perception of higher risks associated to forced and generalized deleveraging are likely to exert some positive effect on lending dynamics.

INTERNATIONAL OPERATIONS

The Greek economy remained under deep recession (-6.2% drop in GDP in the second quarter year on year), compounded by the instability associated with general elections in May and June. The new government should renegotiate the adjustment program, a compromise between the sustainability of public finances and remaining capacity to accommodate for further austerity measures. The financial system has undergone a process of recapitalization, resorting to public funds, enabling it to resume regular operations with the ECB.

The Polish economy continued to outperform but with some signs emerging of slowdown resulting from the less supportive external environment, the dimming impulse from the European football championships and efforts to rebalance the public finances. Nevertheless, growth is expected to remain robust in 2012 at about 2.9 %. The inflation rate stood at 4.3% in June, well above the 2.5% goal set by National Bank of Poland for price stability. Faced with the abrupt and significant depreciation of the zloty, the Polish National Bank increased the main reference rate by 25 bp to 4.75% in May, allowing for the recovery of polish currency to former levels. The budget deficit fell to 5.1% in 2011 and is expected to decline further in 2012 to 3.1% of GDP.

In Romania, the financial assistance program, scheduled to end in 2012, continues to be fulfilled, but there is greater political instability. Economic activity has been resentful of the crisis in the Euro Area and the turmoil in international financial markets.

The economic activity in Mozambique continues to show a high growth, of around 7%, being more resilient to the global slowdown than peers. This growth is common to most sectors of the economy, but has been driven by megaprojects in the energy sector and infrastructure. The growth is expected to remain at these levels for the next few years, continuing to be supported by foreign investment and the public initiatives. The restrictive stance of monetary policy, in force since 2010, led to a progressive and consistent decrease in inflation to very low values (below 3% in Q2) and helped supporting the Metical.

The Angolan economy continues recording a positive evolution, particularly in terms of public finances, management of inflation pressures and exchange rate stability coupled with a gradual adjustment of domestic payments in arrears. In 2011, the rate of real GDP growth was 3.4% and the inflation rate fell to 11%, maintaining a downward trend over the first half (10% in June). It is expected a significant recovery of economic activity in 2012, leading to a GDP growth of around 9%, led by the oil sector. Stronger public finances allow the execution of comprehensive public investment that will tend to benefit the non-oil sector. Credit to the economy continues growing at an healthy pace (9% in first quarter, year on year) with growing contribution from credit in national currency, attributable in part to the greater exchange rate stability and regulatory changes adopted by the BNA.

STRATEGY

In July 2011, the Bank announced a new strategic agenda for the period 2011-2014, based on four key areas of action: i) to ensure solvency levels above the regulatory requirements (Core Tier I of 9% in 2011 and 10% in 2012); ii) management of the deleveraging process in order to stabilise funding requirements and structure; iii) recovery of the profitability levels of the business in Portugal, in order to obtain a return on equity (ROE) of more than 10%; and iv) to focus on the international portfolio according to its attractiveness and available funds.

The Bank has been constantly adjusting to the continuous changes of the macroeconomic and regulatory environment in the banking sector in Europe and in Portugal in recent years. In early 2012, the Bank reorganised around a new corporate model, and revised its strategic agenda, consolidating the strategic pillars and priority vectors.

Accordingly, the Bank's strategic pillars are currently the following:

- To maintain in substance the consistency of the Group, leveraging on the international operations to enhance value creation;
- To preserve the attractiveness of the Bank's project, creating conditions to reimburse the projected State Aid up until 2016 and to increase share value;
- To reinforce private shareholder structure, while minimizing the dilutive and interfering impact of the projected State Aid; and
- To capitalize upon its competitive advantages, by exploring synergies, know-how and resources of the several operations.

The Bank expects to achieve its strategic goals based primarily on three of its competitive advantages:

Franchise in Portugal:

- Strong competitive position in the financial sector;
- Strong geographic coverage and commercial capacity;
- Own technical resources; and
- Motivation, involvement and accountability of employees.

International operations:

- Poland, Angola and Mozambique with high current and potential interest and contribution (attractive to foreign investors and supportive to the internationalisation of the Portuguese companies); and
- Added value leveraged on existing know-how and capabilities.

Access to strategic investors:

- Current investors (national and foreign); and
- Attractive to new partnerships.

The Bank's strategic guidelines aim to:

In Portugal:

- Strengthen the Bank's competitive position, recover profitability and increase efficiency on capital allocation;
- Reduce loans to deposits, through increased funds and regain market share in affluent market segments;
- Optimise credit recovery processes;
- Achieve higher efficiency and cost reduction;
- Manage the granting of loans - altering credit mix towards a stronger support to SMEs and companies operating in the tradable goods industry; and

- Preserve the market share of loans to companies in tradable sectors of the economy.

In the international operations:

- Reinforce the capability of value creation of the international operations - Poland, Angola and Mozambique;
- Reduce exposure to Greece by exploring divestiture opportunities [and increasing access to the recapitalisation support mechanisms for Greek banks];
- Expand international operations without allocation of state aid;
- Consider new partnerships with foreign investors; and
- Keep shareholding control.

Thus, the main areas for the Bank's action are:

- **Strong balance sheet and robust business model:** The Bank is aiming to improve its capital ratios through a reduction of risk weighted assets (RWA), maintained control of the commercial gap and by improving net income. In addition, the bank is aiming at improving its liquidity position through disposals of non-core assets and incorporation of off-balance sheet customer funds into on-balance sheet customer funds. The Bank is aiming to review its strategy with respect to commission-based services, adjusting them to the requirements of the different customer segments, with an expected positive impact on the generated revenue. With respect to net interest income, the Bank aims to focus on product mix optimisation, expecting a significant positive impact on the cost of deposits, and will continue to adjust the pricing of loans to the risk profile of each credit exposure, which should mitigate the decrease of net interest income resulting from asset reduction.
- **Leading position in the Portuguese retail bank market:** The Bank aims to ensure sustainable profitability in the medium and long term, looking to become the "best in class" in generating revenues, cost structure and control of credit risk, thereby preserving its strategic position on the Portuguese retail bank market. The Bank has adopted a new business model focused on a new segmentation of its customer base, a review of the products and services it offers and an adjustment of its back office units and branch network in order to improve the Bank's geographic coverage and commercial capacity and reduce its operating costs.
- **Unique international position:** The Bank intends to strengthen its presence in those markets which already contribute significantly to its net income, particularly Poland, Mozambique and Angola. In Poland, the Group intends to continue its policy of customer acquisition, based on the large and modern branch network, its full offer of products and services and the strength of the Bank's brand. In addition, the Bank intends to focus on cross-selling products and services to the existing customer base. In Mozambique, the Group intends to continue the development of its branch network and the offering of innovative products and services to its customers. In Angola, the Group aims to continue the development of its branch network and its customer base along with an increase of balance sheet funds in each business segment.
- **Improvement of the liquidity position and continuous development:** The Bank's focus is on further strengthening its balance sheet and liquidity position and on the implementation of its Restructuring Plan, whilst achieving continuous development in growth regions (Poland, Mozambique, Angola) to help drive sustainable long-term growth.
- **Risk management:** The Bank aims to implement a new monitoring system to manage performing loans with a higher probability of default and past due loans. In addition, the Bank's focus is on strengthening its capacity in loan recovery in order to reduce credit impairment and decrease the cost of risk.

BCP SHARE

Throughout the first half of 2012, we witnessed the deepening of the public debt crisis in Europe with serious consequences to the competitiveness of the economies, especially in peripheral countries of the Eurozone. During this period, European leaders held several meetings and summits to find solutions to what has proven to be the most severe economic depression since the creation of the single currency.

In January, European leaders decided to anticipate the implementation of the European Stability Mechanism, increasing the requirements that must be met by the public finances of the member states. This, together with the banks' capital ratio goals set by the European Banking Association (EBA), increased the fears of an economic slowdown, which led to the devaluation of the Euro against the U.S. Dollar.

In this tough context, there were a number of signs of instability and unsustainability of some member states' public debt. In Greece, even after a second assistance program of 130 Billion Euros, it was not possible to stabilize public finance and a partial forgiveness of debt was required. Additionally, countries like Italy and Spain, until now stable economies, began to show some signs of weakness.

In Portugal, although the efforts made over the last years are recognized by the main European entities, positive signs of economic stability are yet to appear and scepticism continues the dominant tone in the markets with investors questioning the effectiveness of austerity policies in struggling economies.

To fight this increasingly unfavourable scenario, in June 2012, the Eurozone leaders approved the possibility of the European Rescue Fund being requested and used only by banking sectors, with more favourable conditions than general assistance to economies. This possibility, already used by Spain, brought investors a new hope, with the expectation that new funding for the economies might be the growth driver needed to reverse the current situation. This agreement also had a positive impact on public debt markets, particularly for lower-rated debt, with yields dropping significantly.

To meet the demanding targets for capital ratios set by the EBA, the banking sector in Portugal is currently undergoing a strong deleveraging process, focusing on improving loan quality and on attracting new deposits. The main Portuguese banks presented, during the first half of 2012, recapitalization plans that, if implemented, will make the Portuguese banking system more solid.

BCP Share Key Indicators			
	Unit	1H12	1H11
Price			
Maximum price (January 11th 2010 and March 14th 2011)	(€)	0,185	0,610
Average annual price	(€)	0,129	0,519
Minimum price (April 28th 2010 and November 11th 2011)	(€)	0,082	0,379
Last price	(€)	0,098	0,410
Shares & Equity			
Number of ordinary shares	(M)	7.207,2	7.207,2
Shareholder's equity attributable to the Group	(M€)	3.354,3	5.227,0
Shareholder's equity attributable to ordinary shares (1)	(M€)	3.182,7	5.282,2
Value per Share			
Adjusted net income (EPS) (2) (3)	(€)	-0,07	0,02
Book Value (2)	(€)	0,44	0,60
Market indicators			
Price earnings ratio (4)	(P/E)	-	18,50
Price to book value	(PBV)	0,22	0,69
Earnings yield (4)	(%)	-	4,88
Market capitalisation (last)	(M€)	706,302	2.954,9
Liquidity			
Annual turnover	(M€)	1274,665	1.681,4
Average daily turnover	(M€)	10,037	13,2
Annual volume	(M)	8865,588	3.239,4
Average daily volume	(M)	69,808	25,5
Capital rotation (5)	(%)	123,0	62,7

(1) Shareholders' equity attributable to the Group - Preferred Shares - Valores Mobiliários Perpétuos Subordinados issued in 2009 + treasury stock related to preferred shares.

(2) Considering the average number of shares deducted by the number of treasury shares.

(3) Adjusted net income considers the net income for the year after deduction of the dividends of preferred shares and the Valores Mobiliários Perpétuos Subordinados issued in 2009.

(4) EPS divided by the last price.

(5) Total number of traded shares over the annual average number of BCP's issued shares.

ABSOLUTE AND RELATIVE PERFORMANCE

During the first half of 2012, BCP shares registered a minimum price of 0.082 euros, a maximum price of 0,185 euros and an average price of 0.129 euros, reaching 0.098 euros at the end of the second quarter, which corresponds to a devaluation of 27.9% over the first half of 2012.

In line with its sector in Portugal, the behaviour of BCP shares was strongly influenced by the worsening of the sovereign debt crisis and the recapitalization efforts of the national banking sector. Despite allowing a stronger capital structure, the announcement of the recapitalization plan in progress during 2012 had a negative impact on BCP's share price at a first stage. However, the share price recovered after the publication of the plan's details.

Index	Total Variation 1st Half 2012
BCP Shares	-27.9%
PSI20	-14.5%
IBEX	-17.1%
ASE20	-14.3%
MIB	-2.4%
CAC	1.2%
DAX	8.8%
FTSE	0.0%
Euronext PSI Financial Services	-26.9%
Bebanks	-0.35%
DJ Eurostoxx Banks	-10.3%
DJ Eurostoxx	1.2%
Dow Jones	5.4%
Nasdaq	14.8%
S&P500	8.3%

Source: Reuters & Bloomberg

LIQUIDITY

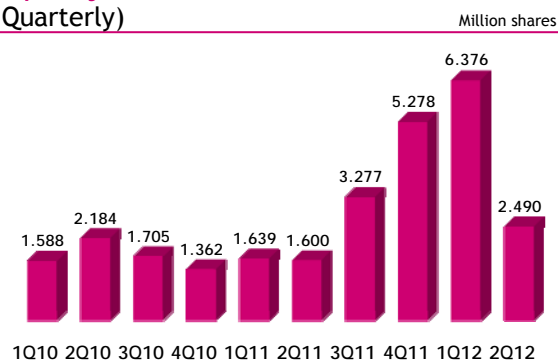
Throughout the first half of 2012, the BCP share was the most traded share in the domestic market, as it is the most liquid security on the Portuguese market.

Around 8,866 million shares were traded during the first half of 2012, representing an increase of 173% over the same period of 2011. The capital rotation of the share corresponded to 123% of its market capitalization.

Regarding turnover, BCP shares accounted for 11.7% (1.27 billion euros) of global PSI20 securities transactions.

Source: Euronext

Liquidity Evolution (Quarterly)



INDICES IN WHICH BCP SHARES ARE LISTED

BCP shares are listed in over 25 national and international stock market indices, from which the following might be highlighted:

Index	Weight (%)	Position
Euronext PSI Financial Services	23.57%	3
PSI20	4.76%	5
Lisbon General	1.75%	13
Euronext 150	0,51%	67
FTSE Euro Mid Index	0,14%	184

Source: Reuters & Bloomberg

Moreover, Millenmium bcp is listed on sustainability indices which are composed by best performing companies concerning sustainability (environmental, social and governance):

Indices



Ethibel Excellence Europe

Ethibel Excellence Euro



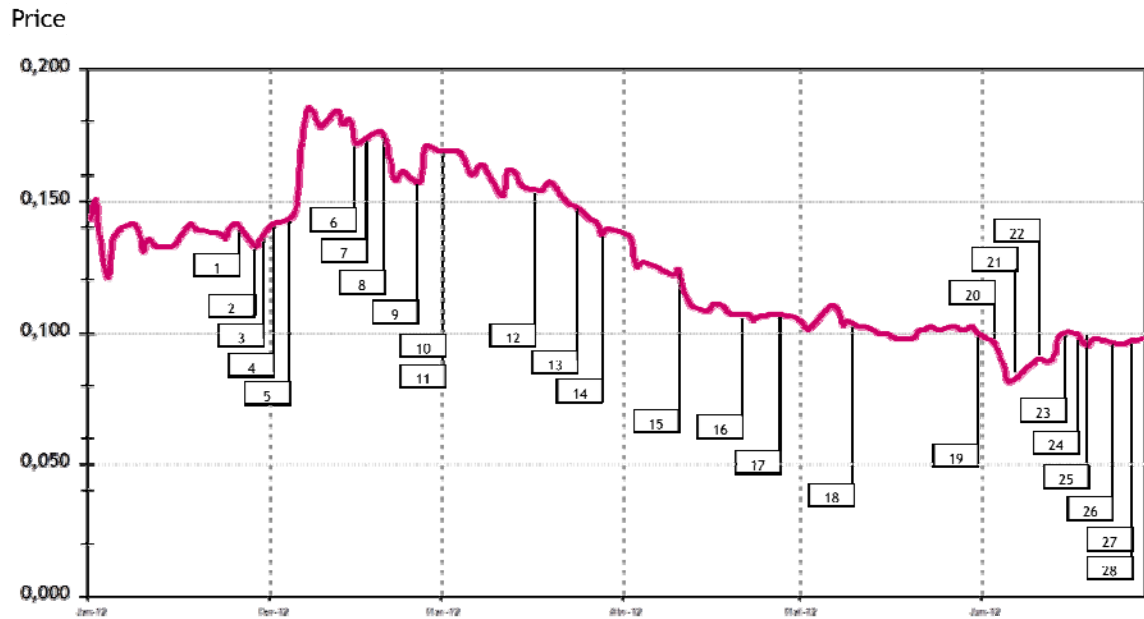
STOXX ® Global ESG Leaders

MAIN EVENTS AND THEIR IMPACT ON THE SHARE PRICE

The following table presents a summary of the main events and their impact on the share price on the following day and five days later. Additionally, a relative performance against PSI20 and DJS Banks during the same time intervals is presented.

#	Day	Subject	Var +1D	Var. vs. PSI20 (1D)	Var. vs. DJS Banks (1D)	Var. +5D	Var. vs. PSI20 (5D)	Var. vs. DJS Banks (5D)
1	27/01/2012	Statement of the Chairmen to employees	-5.7%	-3.2%	-2.6%	0.7%	-0.3%	-4.3%
2	30/01/2012	Statement of the President of the supervisory board	1.5%	1.1%	0.7%	9.8%	6.4%	1.9%
3	31/01/2012	Results of Bank Millennium Poland in 2011	3.0%	2.3%	-0.8%	30.4%	25.4%	22.8%
4	01/02/2012	DBRS rating decision	1.4%	0.8%	0.4%	33.1%	26.8%	28.8%
5	03/02/2012	2011 consolidated earnings presentation, Shareholders Meeting request and resignation of the supervisory board	2.8%	3.0%	3.3%	25.4%	23.0%	26.6%
6	14/02/2012	Standard & Poors rating decision	1.1%	1.5%	-0.6%	-2.8%	-1.4%	-6.6%
7	16/02/2012	Moody's rating decision	0.0%	-0.2%	-1.4%	-8.1%	-6.2%	-7.0%
8	20/02/2012	Bond issue guaranteed by the Republic of Portugal	-1.1%	-0.4%	-0.5%	-10.8%	-8.9%	-6.6%
9	28/02/2012	General Meeting of Shareholders	0.0%	0.0%	-0.4%	-3.5%	-2.0%	-0.6%
10	01/03/2012	Corporate bodies and board of directors election	0.0%	-0.6%	-0.6%	-3.6%	-2.9%	-1.3%
11	01/03/2012	Conclusion of the Special Inspections Program	0.0%	-0.6%	-0.6%	-3.6%	-2.9%	-1.3%
12	15/03/2012	Offer to repurchase corporate bonds	-1.3%	-0.9%	-2.4%	-3.2%	-3.4%	0.0%
13	26/03/2012	Results of the offer to repurchase covered bonds	-1.4%	-1.5%	-1.0%	-6.9%	-4.2%	-1.4%
14	29/03/2012	Moody's rating decision	1.5%	1.0%	0.4%	-7.3%	-4.1%	-3.8%
15	05/04/2012	Pensoesgere's decision	-3.9%	-2.2%	0.3%	-8.7%	-6.8%	-7.5%
16	23/04/2012	Consolidated earnings presentation 2011 - update	-1.9%	-2.6%	-3.9%	-0.9%	-3.5%	-3.9%
17	27/04/2012	Bank Millennium Poland in 1Q2012 earnings	-0.9%	-2.2%	0.2%	-3.7%	-3.7%	-0.3%
18	07/05/2012	1Q2012 consolidated earnings presentation	-0.9%	-1.8%	1.0%	-8.2%	-5.6%	-3.6%
19	31/05/2012	General Meeting of Shareholders	-2.0%	-0.6%	-0.9%	-19.6%	-19.6%	-26.3%
20	04/06/2012	Information regarding the capitalization plan	-7.3%	-7.8%	-8.1%	-6.3%	-7.2%	-11.6%
21	08/06/2012	Request for a General Meeting of Shareholders on June 25 th , 2012	7.1%	7.5%	7.8%	17.9%	17.1%	16.0%
22	11/06/2012	Summary of the capitalization plan	0.0%	0.7%	-0.3%	11.1%	9.8%	10.5%
23	15/06/2012	Registration of capital reduction	1.0%	0.7%	2.8%	-2.0%	-4.9%	-3.7%
24	18/06/2012	Fitch rating decision	-4.0%	-2.1%	-6.5%	-4.0%	-5.6%	-4.5%
25	20/06/2012	Offer to repurchase bonds	2.1%	2.5%	2.6%	1.0%	3.1%	5.3%
26	25/06/2012	General meeting of shareholders	0.0%	2.0%	0.9%	5.2%	1.9%	0.1%
27	29/06/2012	Issue of hybrid instruments classified as Core Tier I Capital	3.1%	0.8%	1.2%	0.0%	-0.9%	1.4%
28	29/06/2012	Bonds repurchase process results	3.1%	0.8%	1.2%	0.0%	-0.9%	1.4%

The following chart shows the performance of BCP shares during the first half of 2012:



DIVIDEND POLICY

Although, on the one hand, the principles of prudence in capital management and, on the other, the implementation of both the new capital requirements and the capitalization plan led to the temporary suspension of the dividend payment, Millennium bcp reiterates its dividend policy based on a 40% payout ratio once it reunites the conditions to resume the payment of dividends, namely the reimbursement of the public investment.

The dividends distributed by Millennium bcp since 2000 are detailed in the table below:

Year	Paid in	Gross dividend per share (euros)	Net dividend per share (euros)		Payout Ratio ⁽¹⁾	Dividend Yield ⁽²⁾
			Residents	Non Residents		
2000 ⁽³⁾	2001	<i>scrip</i> ⁽⁵⁾	n.a.	n.a.	n.a.	n.a.
2001	2002	0.150	0.120	0.105	61.05%	3.30%
2002	2003	0.100	0.080	0.070	49,22% ⁽⁴⁾	4.39%
2003	2004	0.060	0.051	0.045	44.66%	3.39%
2004						
Anticipated dividend	2004	0.030	0.026	0.023		
Final dividend	2005	0.035	0.030	0.026		
Total dividend		0.065	0.055	0.049	41.27%	3.44%
2005						
Anticipated dividend	2005	0.033	0.028	0.025		
Final dividend	2006	0.037	0.031	0.028		
Total dividend		0.070	0.060	0.053	31.89%	3.00%
2006						
Anticipated dividend	2006	0.037	0.030	0.030		
Final dividend	2007	0.048	0.038	0.038		
Total dividend		0.085	0.068	0.068	39.36%	3.04%
2007						
Anticipated dividend	2007	0.037	0.030	0.030		
Final dividend	2008	0.000	0.000	0.000		
Total dividend		0.037	0.030	0.030	23.72%	1.27%
2008	2009	0.017	0.014	0.014	39.67%	2.09%
2009	2010	0.019	0.015	0.015	39.61%	2.25%
2010 ⁽³⁾	2011	<i>scrip</i> ⁽⁶⁾	n.a.	n.a.	n.a.	n.a.

(1) Payout ratio is the percentage of net profit distributed to shareholders in the form of dividend;

(2) Dividend Yield is the annual return, as a percentage, expressed by dividing the amount of the gross dividend by the share price at the end of the year to which the dividend refers;

(3) Paid in the form of scrip dividend through the issue of new shares and their proportional distribution to shareholders holding shares representing the Bank's equity capital;

(4) On the basis of the net profit before setting aside general banking risk provisions in the sum of 200 Million euros;

(5) The *scrip dividend* corresponds to 0,150 euros per share 62.36% of net income and 2.65% of the share price at the end of 2000

(6) The *scrip dividend* corresponds to 0,026 euros per share 39.79% of net income and 4.39% of the share price at the end of 2010

MONITORING OF INVESTORS AND ANALYSTS

BCP shares are covered by the leading domestic and foreign investment houses, which regularly issue investment recommendations and price targets for the Bank.

The average price target of the investment houses that cover Millennium bcp showed a negative trend over the first half of the year, reflecting the impact of the sovereign debt crisis deterioration, as well as the pressure on banks, as the date for the new Basel III regulation to enter into force approaches.

During the first half of 2012, BCP held several meetings and conferences with investors. The Bank did various road shows and participated in the main banking conferences in Portugal and Europe, from which we highlight the conferences organized by HSBC, Morgan Stanley and Goldman Sachs.

TREASURY SHARES

According to the decision of the General Shareholders Meeting, the Bank may acquire or dispose of treasury shares up to the limit of 10% of its share capital.

As at December 31st, 2012, Banco Comercial Português, S.A. held 4,431,776 treasury shares in its portfolio. During the first half of the year, the Bank traded 8,355,556 treasury shares, corresponding to 0.12% of the share capital.

	Purchases			Sales			Total traded	
	Quantity	Value	Average unit price (€)	Quantity	Value	Average unit price (€)	Quantity	% of share capital
BANCO COMERCIAL PORTUGUÊS, S.A. (*)	2,186,890	278,715	0.127448059	6,168,666	735,015	0.119152961	8,355,556	0.12%

Thus, as at June 31th 2012, Banco Comercial Português, S.A. directly and indirectly held 450,000 treasury shares, equivalent to 0.06% of the Bank's share capital.

	31.12.2011	30.06.2012	% of share capital
BANCO COMERCIAL PORTUGUÊS, S. A. (*)	4,431,776	450,000	0.01%

SHAREHOLDER STRUCTURE

According to the file received from the Central Security Depository (CVM), as at June 30th 2012, the number of shareholders of Banco Comercial Portugues reached 185,480 (182,326 as at December 31th 2011, and 173,575 as at June 30th 2011).

The Bank's Shareholder structure remains dispersed, as no single Shareholder holds more than 15% of the share capital and only six Shareholders own qualified holdings (over 2% of the share capital) and just one holds a stake above 10%.

Particular reference should be made to the increased weight of other individual shareholders, which currently account for 42.26% of the share capital (33.76% as of December 2011).

Shareholder Structure	Number of shareholders	% of share Capital
Group Employees	3,960	0.70%
Other individual Shareholders	176,970	42.26%
Companies	4,192	22.99%
Institutional	358	34.05%
Total	185,480	100.00%

Shareholders with over five million shares represent 54.9% of the share capital (63.0% at the end of 2011).

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5.000.000	74	54.09%
500.000 a 4.999.999	738	11.38%
50.000 a 499.999	12,285	20.44%
5.000 a 49.999	52,106	11.91%
< 5.000	120,277	2.18%
Total	185,480	100.00%

During the first half of 2012 there was an increase in the share capital percentage held by national Shareholders to 64.9% (66.8% at the end of 2011).

Number of shares per Shareholder	National Shareholders		Foreign Shareholders	
	Number	% of share capital	Number	% of share capital
> 5.000.000	38	24.25%	36	29.84%
500.000 a 4.999.999	664	9.81%	74	1.57%
50.000 a 499.999	11,891	19.73%	394	0.71%
5.000 a 49.999	50,856	11.61%	1,250	0.30%
< 5.000	116,320	2.12%	3,957	0.06%
Total	167,933	64.93%	5,642	35.07%

QUALIFIED HOLDINGS

As at December 31, 2011, the following shareholders held 2% or more of the share capital of Banco Comercial Português, S.A.:

30-Jun-12			
Shareholder	Nr. shares	% of share capital	% voting rights
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	794,930,620	11.03%	11.03%
Members of the management and supervisory bodies	1,159	0.00%	0.00%
Total of Sonangol Group	794,931,779	11.03%	11.03%
Teixeira Duarte - Sociedade Gestora de Participações Sociais, S.A.			0.00%
S.A.	340,563,430	4.73%	4.73%
Tedal - Sociedade Gestora de Participações Sociais, S.A.	45,039,009	0.62%	0.62%
Members of the management and supervisory bodies	896,117	0.01%	0.01%
Total of Teixeira Duarte Group	386,498,556	5.36%	5.36%
Bansabadell Holding, SL	241,889,286	3.36%	3.36%
Banco de Sabadell, S.A.	44,454,342	0.62%	0.62%
Total of Sabadell Group	286,343,628	3.97%	3.97%
Fundação José Berardo		0.00%	0.00%
Fundação José Berardo	165,835,297	2.30%	2.30%
Metalgest - Sociedade de Gestão, SGPS, S.A.		0.00%	0.00%
Metalgest - Sociedade de Gestão, SGPS, S.A.	54,400,061	0.75%	0.75%
Kendon Properties	846,154	0.01%	0.01%
Moagens Associadas S.A.	13,827	0.00%	0.00%
Cotrancer - Comércio e transformação de cereais, S.A.	13,827	0.00%	0.00%
Bacalhôa, Vinhos de Portugal S.A.	11,062	0.00%	0.00%
Members of the management and supervisory bodies	20,404	0.00%	0.00%
Total of Berardo Group	221,140,632	3.07%	3.07%
EDP -Imobiliária e Participações, S.A	181,322,368	2.52%	2.52%
Fundo de Pensões EDP	24,130,021	0.33%	0.33%
Members of the management and supervisory bodies	1,077	0.00%	0.00%
Total of EDP Group	7,700,000	0.11%	0.11%
Caixa Geral de Depósitos, S.A.	213,153,466	2.96%	2.96%
Companhia de Seguros Fidelidade-Mundial, S.A.	144,592,140	2.01%	2.01%
Fundo de Pensões CGD	70,755,665	0.98%	0.98%
Parcaixa, SGPS, S.A.	128,316	0.00%	0.00%
Total of Caixa Geral de Depósitos Group	215,476,121	2.99%	2.99%
Total of qualified Shareholdings	2,117,544,182	29.38%	29.38%

The voting rights referred to above are solely in respect of direct and indirect shareholdings in Banco Comercial Português. Any other allocations of voting rights envisaged in Article 20 of the Securities Code, were either not communicated or have not been revealed.

FINANCIAL REVIEW

The consolidated Financial Statements were prepared under the terms of Regulation (EC) number 1606/2002, of 19 July, and in accordance with the reporting model determined by the Bank of Portugal (Notice number 1/2005), following the transposition into Portuguese law of Directive number 2003/51/EC, of 18 June, of the European Parliament and Council, as the currently existing versions.

At the end of the 2011, considering the agreement signed between the Portuguese Government, the Portuguese Banking Association and the unions of bank employees to transfer the pension liabilities for retired employees and pensioners to the General Social Security Scheme, the Bank decided, just prior to the transfer, to change the accounting policy associated with the recognition of actuarial deviations.

Following the analysis of the several alternatives allowed by International Accounting Standard (IAS) 19 for Employee Benefits, the Group chose to recognise actuarial deviations of the period on equity. Previously, the Group proceeded with the deferral of actuarial deviations determined in accordance with the corridor method, in which gains and losses which exceeded 10% of the greater between the current value of the liabilities and the fair value of the Fund's assets were recorded in results by the value of the remaining estimated useful life of the active employees.

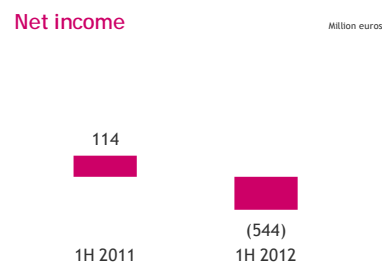
In accordance with IAS, this change was performed with retroactive effect to 1 January 2010, and consequently the Group recognised in equity the total actuarial deviations deferred. In accordance with the standards, the Group performed the restatement of financial statements as at 1 January 2010 and 31 December 2010, as well as in relation to the months during the year 2011, for comparable purposes.

PROFITABILITY ANALYSIS

Net Income

Millennium bcp's consolidated net income was negative by 544.3 million euros in the first half of 2012, compared with a profit of 114.3 million euros posted in the first half of 2011 (restated according to the change in the accounting policy described before).

The evolution of consolidated profitability was hindered by the performance of the subsidiary company in Greece, in particular by the losses of 52.2 million euros posted in the first half of 2012, and by the accounting of impairment for estimated losses in the amount of 450.0 million euros, related to the economic and financial situation in Greece, together with the performance of the activity in Portugal, conditioned by impairment and provision charges, posted in the first half of 2012, in the total amount of 534.4 million euros. In the international activity, net income was influenced by the activity developed in Greece, despite the increases in net income achieved by Bank Millennium in Poland, excluding the foreign exchange effect of the devaluation of the zloty against the euro, and by Banco Millennium Angola.



In the first half of 2012, net operating revenues remained stable, when compared with the same period in 2011, sustained by the increase in net trading income, which more than offset the lower net interest income and lower net commissions.

Net income for the first half of 2012 includes the accounting of impairment for estimated losses and the negative net income of the operation in Greece totalling 502.2 million euros, as mentioned above, the unfavourable impact in net interest income of liability management operations, completed in 2011, in the amount of 96.0 million euros, the accounting of a cost in the amount of 33.4 million euros associated with commissions from the issuance of debt securities guaranteed by the Portuguese Republic, the repurchase of own debt securities which led to a capital gain of 184.3 million euros, the gains associated with Portuguese sovereign debt classified as held for trading of 28.0 million euros, and the favourable impact from the legislative change related to the mortality allowance of 64.0 million euros.

Net income for the first half of 2011 includes the losses associated with Portuguese sovereign debt classified as financial assets held for trading of 141.3 million euros, the reversal of provisions related to the pension fund of former members of the Executive Board of Directors, of 35.5 million euros, and the recognition of deferred tax benefit in the amount of 132.5 million euros in the scope of the restructuring process of the Group's shareholdings.

Net income for Bank Millennium in Poland decreased to 52.5 million euros in the six months ended 30 June 2012 from 54.7 million euros in the six months ended 30 June 2011, penalised by the impact of Polish zloty depreciation when converting the financial statements to euro. In zloty, it showed a slight increase of net income, primarily as a result of net interest income good performance, induced by the higher credit volume.

Net income generated by Millennium bim in Mozambique was 46.1 million euros in the six months ended 30 June 2012, compared to 41.9 million euros in the six months ended 30 June 2011, reflecting the impact of metical appreciation against euro, when converting the local currency profit and loss account into euros. In metical, net income showed a decrease from previous year, as a result of lower net interest income, associated with higher cost of deposits and lower interest from credit, and the impact of the branches' expansion plan in operating costs.

Net income for Banco Millennium in Angola increased to 17.3 million euros in the six months ended 30 June 2012 from 15.1 million euros in the six months ended 30 June 2011, driven by lower loan impairment charges, together with higher net interest income, mainly related to higher loans' average interest rate and lower deposits' average interest rate, and higher commissions.

Net income for Millennium bank in Greece decreased to negative 52.2 million euros in the six months ended 30 June 2012, compared to a negative net income of 8.7 million euros in the six months ended 30 June 2011, due to lower net interest income, mainly related to higher cost of funding, and higher impairment charges.

Net income for Banca Millennium in Romania increased to negative 6.5 million euros in the six months ended 30 June 2012 from negative 10.1 million euros the six months ended 30 June 2011, primarily due to lower loan impairment charges, together with lower operating costs, in particular lower depreciation levels given last year's closure of 8 branches.

Banque Privée BCP in Switzerland recorded a net income of 1.4 million euros in the six months ended 30 June 2012, compared to 4.7 million euros in the six months ended 30 June 2011. The decrease primarily resulted from last year's level of loan impairment reversals, together with net interest income unfavourable evolution, associated to the impact of lower credit volume.

Millennium bcp Bank & Trust in the Cayman Islands generated a net income of 5.4 million euros in the six months ended 30 June 2012, compared to 6.8 million euros in the six months ended 30 June 2011, due to lower level of loan impairment reversals, in spite of net interest income increase, associated to lower cost of interbank funding.

INCOME STATEMENT*Euro million*

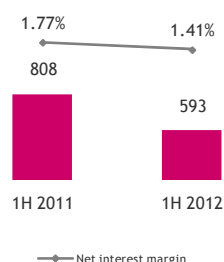
	30 Jun. 12	30 Jun. 11	Change 12/11
Net interest income	592.9	807.7	-26.6%
Other net income			
Dividends from equity instruments	3.6	1.1	>200%
Net commissions	346.6	401.1	-13.6%
Net trading income	325.4	24.5	>200%
Other net operating income	(29.6)	10.2	-
Equity accounted earnings	30.2	24.1	25.7%
	<u>676.3</u>	<u>461.0</u>	46.7%
Operating costs			
Staff costs	349.2	381.2	-8.4%
Other administrative costs	284.0	284.0	0.0%
Depreciation	42.2	47.9	-12.0%
	<u>675.4</u>	<u>713.2</u>	-5.3%
Impairment			
For loans (net of recoveries)	987.3	562.1	75.6%
Other impairment and provisions	108.0	7.7	>200%
Income before income tax	<u>(501.4)</u>	<u>(14.3)</u>	
Income tax			
Current	38.2	42.2	-9.5%
Deferred	(34.8)	(211.0)	-
Income after income tax	<u>(504.8)</u>	<u>154.5</u>	-
Non-controlling interests	39.5	40.2	-1.9%
Net income attributable to shareholders of the Bank	<u>(544.3)</u>	<u>114.3</u>	-

Net Interest Income

Net interest income stood at 592.9 million euros in the first half of 2012, compared with 807.7 million euros in the same period of 2011.

Net interest income in the activity in Portugal was influenced by unfavourable volume and interest rate effects. In the international activity, net interest income was determined by the performance of Millennium bank in Greece, despite the growth showed by the subsidiary companies in Poland and Angola.

The net interest margin stood at 1.41% in the first half of 2012, which compares with 1.77% in the same period in 2011, reflecting the impact of the liability management operations completed in the second half of 2011 and the increase in the cost of term deposits, despite benefitting from the credit repricing effort.

Net interest income*Euro million*

AVERAGE BALANCES

Euro million

	30 Jun. 12		30 Jun. 11	
	Balance	Yield %	Balance	Yield %
Deposits in banks	4,654	1.39	4,041	1.52
Financial assets	10,637	4.64	12,954	3.87
Loans and advances to customers	68,119	4.68	73,729	4.17
Interest earning assets	83,410	4.49	90,724	4.01
Non-interest earning assets	8,876		7,534	
	<u>92,286</u>		<u>98,258</u>	
Amounts owed to credit institutions	18,244	1.49	20,346	1.50
Amounts owed to customers	48,913	3.37	46,303	2.65
Debt issued and financial liabilities	16,234	3.60	20,990	2.15
Subordinated debt	1,201	5.54	1,700	2.72
Interest bearing liabilities	84,592	3.04	89,339	2.27
Non-interest bearing liabilities	3,276		3,326	
Shareholders' equity and non-controlling interests	4,418		5,593	
	<u>92,286</u>		<u>98,258</u>	
Net interest margin		1.41		1.77

Note: Interests related to hedge derivatives were allocated, in June 2012 and 2011, to the respective balance sheet item.

Other Net Income

Other net income, which includes dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, stood at 676.3 million euros in the first half of 2012, compared with 461.0 million euros in the first half of 2011. This evolution reflects fundamentally the performance of net trading income. Other net income were mostly influenced by the activity in Portugal, benefitting additionally from the favourable evolution posted by the international activity.

OTHER NET INCOME

Euro million

	30 Jun. 12	30 Jun. 11	Change 12/11
Dividends from equity instruments	3.6	1.1	226.9%
Net commissions	346.6	401.1	-13.6%
Net trading income	325.4	24.5	1228.0%
Other net operating income	(29.6)	10.2	
Equity accounted earnings	30.2	24.1	25.7%
Total other net income	<u>676.3</u>	<u>461.0</u>	46.7%
Of which:			
Portugal activity	483.9	274.7	76.2%
Foreign activity	192.4	186.3	3.3%

Income from Equity Instruments

Income from equity instruments, which include dividends received from investments in financial assets available for sale, totalled 3.6 million euros in the first half of 2012, compared with 1.1 million euros posted in the first half of 2011. The dividends recorded in the first half of 2011 and 2012 correspond, above all, to the income associated to the Group's investments in shares and in investment fund units.

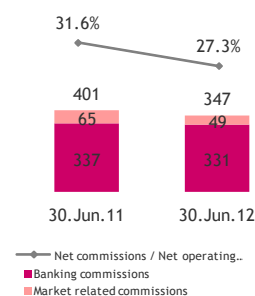
Net Commissions

Net commissions stood at 346.6 million euros in the first half of 2012, compared to 401.1 million euros in the same period of 2011. In the activity in Portugal, excluding the effect of commissions associated with the State guarantee, net commissions declined by 6.5% from the first half of 2011. In the international activity commissions decreased 2.3%, influenced by the performance of Bank Millennium in Poland, despite the positive evolution showed by Millennium bim in Mozambique and Banco Millennium Angola.

Net commissions showed a lower level of net commissions related with the banking business (-1.7%), together with a decline in commissions related with the financial markets (-24.0%), hindered by

Net commissions

Million euros



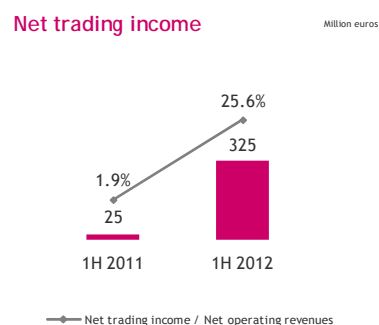
the persistence of uncertainty in capital markets, which adversely affected the management of financial investments, and with costs posted in the first half of 2012 associated with the issuance of debt securities by the Bank guaranteed by the Portuguese Republic, in the amount of 33.4 million euros.

NET COMMISSIONS	Euro million		
	30 Jun. 12	30 Jun. 11	Change 12/11
Banking commissions	331.0	336.6	-1.7%
Cards	87.0	91.5	-4.8%
Credit and guarantees	90.7	89.9	0.9%
Bancassurance	35.6	37.7	-5.7%
Other commissions	117.6	117.5	0.1%
Market related commissions	49.1	64.5	-24.0%
Securities	28.0	38.8	-27.8%
Asset management	21.0	25.7	-18.3%
Commissions related with the State guarantee	(33.4)	-	
Total net commissions	346.6	401.1	-13.6%
Of which:			
Portugal activity	230.7	282.4	-18.3%
Foreign activity	115.9	118.7	-2.3%

Net Trading Income

Net trading income, which includes net gains arising from trading and hedging activities, net gains arising from available for sale financial assets and net gains arising from financial assets held to maturity, amounted to 325.4 million euros in the first half of 2012, which compares with 24.5 million euros in the same period of 2011, evidencing the performance of the activity in Portugal. In the international activity, the favourable evolution in net trading income benefited chiefly from the results from foreign exchange activity posted by most subsidiary companies.

The evolution of net trading income reflects the impacts related to a capital gain from the repurchase, in the first half of 2012, of debt securities issued by the Bank in the amount of 184.3 million euros, to the recognition of gains associated with Portuguese sovereign debt classified as available for trading in the amount of 28.0 million euros (loss of 141.3 million euros in the first half of 2011), and losses on financial instruments at fair value option in the amount of 21.6 million euros (gain of 44.3 million euros in the first half of 2011).



NET TRADING INCOME	Euro million		
	30 Jun. 12	30 Jun. 11	Change 12/11
Foreign exchange activity	47.1	48.2	-2.2%
Trading, derivative and other	278.3	(23.7)	-1275.7%
Total net trading income	325.4	24.5	1228.0%
Of which:			
Portugal activity	250.8	(44.0)	-669.6%
Foreign activity	74.5	68.5	8.8%

Other Net Operating Income

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, was negative by 29.6 million euros in the first half of 2012, compared with gains of 10.2 million euros in the first half of 2011.

In the activity in Portugal, other net operating income reflect the higher losses associated with the devaluation of repossessed assets, in the amount of 7.6 million euros, compared to the first half of 2011, together with the higher level of tax posted, by 4.0 million euros, compared to the first half of 2011. In the first half of 2011, other net operating income included the positive impact from the adjustment of insurance premiums related with pensions, in the amount of 18.9 million euros.

Other net operating income in the international activity benefited from the increases posted in the subsidiary companies in Poland and Angola.

Equity Accounted Earnings

Equity accounted earnings, which include the results appropriated by the Group associated to the consolidation of entities over which, despite having a significant influence, the Group does not control the financial and operational policies, in particular the appropriation of results from the 49% shareholding in Millenniumbcp Ageas, showed a favourable evolution to 30.2 million euros in the first half of 2012, from 24.1 million euros in the first half of 2011.

Operating Costs

Operating costs, which include staff costs, other administrative costs and depreciation costs, stood at 675.4 million euros in the first half of 2012 (713.2 million euros in the first half of 2011).

The evolution of operating costs includes: (i) the favourable impact of the legislative change related to mortality allowance, in the amount of 64.0 million euros, accounted in the first half of 2012; (ii) the reversal of provisions related to the pensions fund of former members of the Executive Board of Directors, in the amount of 35.5 million euros, posted in the first half of 2011; and (iii) the accounting of costs for early retirements of 2.7 million euros in the first half of 2012 (1.8 million euros in the same period of 2011).

Excluding these impacts, operating costs dropped by 1.4%, benefitting from the decrease in depreciation (-12.0%) and in staff costs (-1.1%), together with the stabilisation of other administrative costs.

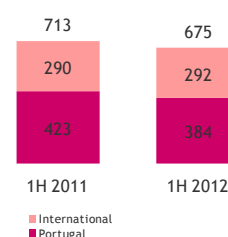
In the activity in Portugal, operating costs excluding the mentioned effects reduced by 2.6% from the first half of 2011, as a result of the lower level of depreciation and the decrease in staff costs.

In the international activity, operating costs increased 0.6%, from the first half of 2011, influenced by Banco Millennium in Angola and Millennium bim in Mozambique, reflecting the reinforcement of the operational infrastructure and the support for the organic growth strategy underway in those markets.

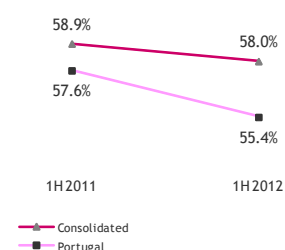
The consolidated cost-to-income ratio, excluding specific items, stood at 58.0% in the first half of 2012 (58.9% in the same period of 2011), while in the activity in Portugal stood at 55.4% in the first half of 2012 (57.6% in the same period in 2011).

Operating costs

Euro million



Cost-to-income



OPERATING COSTS

Euro million

	30 Jun. 12	30 Jun. 11	Change 12/11
Staff costs (1)	410.5	414.9	-1.1%
Other administrative costs	284.0	284.0	0.0%
Depreciation	42.2	47.9	-12.0%
	<u>736.7</u>	<u>746.9</u>	-1.4%
Other costs:			
Legislative change related to mortality allowance	(64.0)	-	
Reversal of provision associated with pensions	-	(35.5)	
Costs with early retirements	2.7	1.8	
	<u>675.4</u>	<u>713.2</u>	-5.3%
Of which:			
Portugal activity	383.6	423.1	-9.3%
Foreign activity	291.8	290.0	0.6%
Operating costs / Net operating revenues (2) (3)	55.4%	57.6%	

(1) Excludes the impacts referred in other costs

(2) Activity in Portugal. According to Instruction no. 23/2011 from the Bank of Portugal.

(3) Excludes the impact of specific items.

Staff Costs

Staff costs stood at 349.2 million euros in the first half of 2012 (381.2 million euros in the first half of 2011). Staff costs excluding the previously mentioned impacts stood at 410.5 million euros in the first half of 2012, showing a decrease of 1.1% from 414.9 million euros posted in the same period of 2011.

This evolution of staff costs was influenced by the 3.0% decrease in the activity in Portugal, which offset the 2.8% increase in the international activity.

In the international activity, staff costs reflect the increases at the subsidiary companies in Mozambique, Angola and Poland (excluding the foreign exchange effect of the devaluation of the zloty against the euro), influenced by the rise in the number of employees, from the end of the first half of 2011, in particular in those two first operations, following the reinforcement of their competences and operational capabilities.

STAFF COSTS	Euro million		
	30 Jun. 12	30 Jun. 11	Change 12/11
Salaries and remunerations	308.2	300.7	2.5%
Mandatory social security charges (1)	74.4	86.8	-14.3%
Voluntary social security charges	24.4	20.7	18.2%
Other staff costs	3.5	6.8	-48.5%
	<u>410.5</u>	<u>414.9</u>	-1.1%
Other costs:			
Legislative change related to mortality allowance	(64.0)	-	
Reversal of provision associated with pensions	-	(35.5)	
Costs with early retirements	2.7	1.8	
	<u>349.2</u>	<u>381.2</u>	-8.4%

(1) Excludes the impacts referred in other costs

Other Administrative Costs

Other administrative costs totalled 284.0 million euros in the first half of 2012, the same level as in the first half of 2011, reflecting the efforts in cost control, in particular the savings achieved in costs associated with rents, advertising, insurance and outsourcing.

Other administrative costs remained stable in the first half of 2012, compared with the same period in 2011, in both the activity in Portugal and the international activity. The increases posted by the subsidiary companies in Mozambique and Angola were offset by the reductions in administrative costs in Millennium bank in Greece and Bank Millennium in Poland.

OTHER ADMINISTRATIVE COSTS	Euro million		
	30 Jun. 12	30 Jun. 11	Change 12/11
Water, electricity and fuel	12.1	10.8	12.4%
Consumables	3.6	3.5	2.0%
Rents	72.5	75.4	-3.8%
Communications	21.7	19.2	13.1%
Travel, hotel and representation costs	6.3	7.0	-9.8%
Advertising	17.6	19.5	-9.9%
Maintenance and related services	20.1	18.6	8.0%
Credit cards and mortgage	7.5	7.2	4.9%
Advisory services	9.0	8.5	6.0%
Information technology services	12.2	11.3	7.4%
Outsourcing	41.2	42.7	-3.4%
Other specialised services	16.6	15.4	8.1%
Training costs	1.3	1.1	12.9%
Insurance	7.7	9.2	-16.0%
Legal expenses	6.5	5.8	11.5%
Transportation	5.5	5.4	2.5%
Other supplies and services	22.6	23.5	-4.0%
	<u>284.0</u>	<u>284.0</u>	0.0%

Depreciation

Depreciation costs stood at 42.2 million euros in the first half of 2012, a decrease of 12.0%, from 47.9 million euros posted in the same period of 2011.

In the activity in Portugal depreciation costs fell 14.7% from the first half of 2011, benefiting from the lower level of depreciation associated with equipment and buildings. The international activity reduced 9.1% from the first half of 2011, influenced by the decrease in depreciation costs in the subsidiary companies in Poland, Romania and Greece, despite the higher depreciation posted by Banco Millennium in Angola and Millennium bim in Mozambique, influenced by the ongoing investments as a result of the business plans underway in these geographies.

Loan Impairment and Credit Recoveries

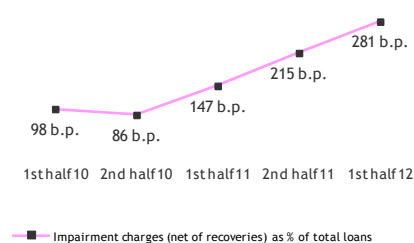
Impairment for loan losses (net of recoveries) totalled 987.3 million euros in the first half of 2012, compared to 562.1 million euros in the same period in 2011. This line item includes in the first half of 2012 the accounting of impairment for estimated losses of 450.0 million euros related to the economic and financial situation in Greece.

In the activity in Portugal, the performance of impairment for loan losses (net of recoveries) was influenced by the persistence of an adverse macroeconomic and financial environment and consequently the worsening of the economical and financial situation of Portuguese households and companies.

In the international activity, impairment for loan losses (net of recoveries) mostly reflects the higher level of impairment charges posted by the subsidiary companies in Greece and Poland.

The cost of risk measured by the ratio of the impairment charges net of recoveries and loans, stood at 281 basis points in the first half of 2012, which compares with 147 basis points in the same period in 2011.

Provisioning effort



Loan impairment charges (net of recoveries)

	EUR in million		
	30 Jun. 12	30 Jun. 11	Chan. % 12/11
Loan impairment charges	996.3	571.6	74.3%
Credit recoveries	9.0	9.5	-5.0%
	<u>987.3</u>	<u>562.1</u>	75.6%
Cost of risk:			
Impairment charges as a % of total loans	283 b.p.	149 b.p.	134 b.p.
Impairment charges (net of recoveries) as a % of tot	281 b.p.	147 b.p.	134 b.p.

Other Impairment and Provisions

Other impairment and provisions aggregate the items of impairment charges associated with other financial assets, with other assets, in particular assets received as payment in kind resulting from the termination of loan contracts with customers, with goodwill, as well as charges for other provisions.

Other impairment and provisions amounted to 108.0 million euros in the first half of 2012, which compares with 7.7 million euros in the same period of 2011.

The amount of other impairment and provisions includes, in the activity in Portugal, the reinforcement of provision charges related to repossessed assets, which, in the process of regular re-evaluation of these assets, showed a decline in the respective market value, as well as the increase in charges for provisions related to other risks and commitments.

In the international activity, other impairment and provisions reflect the reinforcement of impairment, at Millennium bim in Mozambique, associated with guarantees and other commitments.

Income Tax

Income tax (current and deferred) totalled 3.3 million euros in the first half of 2012, which compares with -168.8 million euros in the same period of 2011.

The income tax item includes the cost of current tax in the amount of 38.2 million euros in the first half of 2012 (42.2 million euros in the first half of 2011) and a net deferred tax benefit in the amount of 34.8 million euros (tax benefit of 211.0 million euros in the first half of 2011) and includes the impact of the recognition of deferred tax assets associated with reorganization of the shareholdings of the Group. The deferred tax benefit is associated mainly to tax losses posted in the year, net of the deduction for purposes of determining the taxable profit on the replacement of impairments taxed in previous years and employee benefits.

Non-controlling Interests

Non-controlling interests include the part attributable to third parties of the results of the subsidiary companies consolidated through the full method in which the Group does not hold, directly or indirectly, the entirety of their share capital.

Non-controlling interests were primarily related to the Group's holdings in Bank Millennium in Poland, Banco Millennium Angola and Millennium bim in Mozambique. Non-controlling interests totalled 39.5 million euros in the six months ended 30 June 2012 (40.2 million euros in the six months ended 30 June 2011).

REVIEW OF THE BALANCE SHEET

Total assets stood at 92,999 million euros as at 30 June 2012, compared to 98,284 million euros as at 30 June 2011.

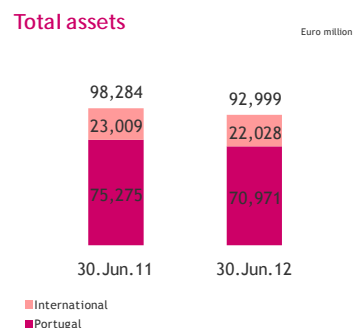
Loans to customers (gross), adjusted for a repo operation of 2,256 million euros on 30 June 2011, decreased by 5.5%, to 70,317 million euros as at 30 June 2012, from 74,390 million euros on the same date in 2011, influenced by the decrease of 6.7% in the activity in Portugal and of 1.5% in the international activity.

The securities portfolio, which comprise financial assets held for trading, financial assets available for sale, assets with repurchase agreement and financial assets held to maturity, totalled 13,017 million euros as at 30 June 2012, a reduction of 6.1% from the same date in 2011, maintaining the weight of 14% of total assets.

Total liabilities reduced to 89,053 million euros as at 30 June 2012, from 92,545 million euros as at 30 June 2011, influenced by the reduction of debt securities, together with the lower level of deposits from central banks and other credit institutions, despite the increase in subordinated debt, which comprise, on 30 June 2012, the amount of 3 billion euros related to the issuance, by the Bank, of subordinated debt hybrid instruments eligible for Core Tier I capital, subscribed by the Portuguese State.

Total balance sheet customer funds were up by 5.2%, adjusted for a repo operation of 2,256 million euros on 30 June 2011, to 51,791 million euros as at 30 June 2012, which compares with 54,505 million euros on the same date on 2011. In the first half of 2012, Millennium bcp maintained the emphasis in retaining and further increasing balance sheet customer funds, focused on the reduction of commercial gap and on the deleverage process, in a context of persistent limitation of access to medium and long term transactions in wholesale funding markets.

Total equity evidenced an evolution from 5,739 million euros as at 30 June 2011 to 3,946 million euros. This evolution reflects the impact from the exchange offer for holders of perpetual debt instruments and preference shares issued by the Bank, in October 2011, together with the net income for the period. Following the resolution approved in the Annual General Meeting of shareholders, on 31 May 2012, the Bank's share capital was reduced from 6,065 million euros to 3,000 million euros, without altering the number of existing shares without nominal value. This reduction was composed of two separate amounts, on the one hand, to cover losses recorded in the Bank's individual financial statements for 2011 and, on the other, to reinforce future conditions for funds that may be qualified as distributable under the regulatory provisions.



Balance Sheet as at 30 June 2012 and 2011 and 31 December 2011

Euro million

	30 Jun. 12	31 Dec. 11	30 Jun. 11	Change 12/11
Assets				
Cash and deposits at central banks and loans and advances to credit institutions	8,150	6,606	5,350	52.3%
Loans and advances to customers	66,202	68,046	73,709	-10.2%
Financial assets held for trading	2,008	2,145	3,929	-48.9%
Financial assets available for sale	7,221	4,774	3,547	103.6%
Financial assets held to maturity	3,742	5,160	6,372	-41.3%
Investments in associated companies	415	305	332	24.9%
Non current assets held for sale	1,089	1,105	1,013	7.5%
Other tangible assets, goodwill and intangible assets	868	876	993	-12.6%
Current and deferred tax assets	1,599	1,617	1,276	25.3%
Other (1)	1,705	2,848	1,763	-3.3%
Total Assets	92,999	93,482	98,284	-5.4%
Liabilities				
Deposits from Central Banks and from other credit institutions	17,796	17,723	20,659	-13.9%
Deposits from customers	47,974	47,516	47,729	0.5%
Debt securities issued	14,721	16,236	15,070	-2.3%
Financial liabilities held for trading	1,580	1,479	1,069	47.8%
Other financial liabilities at fair value through profit or loss	237	2,579	3,755	-93.7%
Subordinated debt	4,207	1,147	1,449	190.3%
Other (2)	2,538	2,428	2,814	-9.8%
Total Liabilities	89,053	89,108	92,545	-3.8%
Equity				
Share capital	3,000	6,065	6,065	-50.5%
Treasury stock	(11)	(11)	(80)	-
Share premium	72	72	72	-
Preference shares	171	171	1,000	-
Other capital instruments	10	10	10	-
Reserves and retained earnings	657	(1,632)	(1,954)	-
Net income for the period attributable to shareholders	(544)	(849)	114	-576.3%
Total equity attributable to Shareholders of the bank	3,354	3,826	5,227	-35.8%
Non-controlling interests	592	548	512	15.7%
Total Equity	3,946	4,374	5,739	-31.2%
Total Liabilities and Equity	92,999	93,482	98,284	-5.4%

(1) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.

(2) Includes Hedging derivatives, Provisions for liabilities and charges, Current and deferred income tax liabilities and Other liabilities.

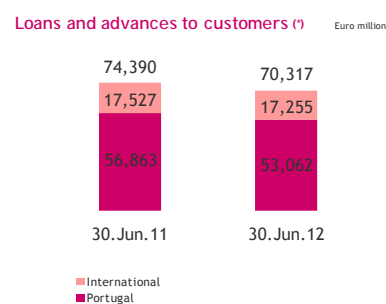
Loans to customers

Loans to customers (gross), adjusted for a repo operation of 2,256 million euros on 30 June 2011, decreased by 5.5%, to 70,317 million euros as at 30 June 2012, from 74,390 million euros on the same date in 2011.

The evolution of the loan portfolio, from the end of June 2011, was influenced by the decrease of 6.7% in the activity in Portugal and of 1.5% in the international activity, which reflects the performance of the subsidiary companies in Switzerland and Greece.

The decline in loans to customers was determined by both loans to companies (-7.6%) and loans to individuals (-3.2%), driven by the impact of the gradual deleveraging process underway.

The structure of the loans to customers' portfolio registered identical levels of diversification, between the end of June 2011 and the end of June 2012, with loans to companies representing 51% of total loans to customers as at 30 June 2012, while loans to individuals represented 49% of total loans.



(*) Before impairment. Adjusted from a Repo operation of 2,256 million euros as at 30 June 2011.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Jun. 12	30 Jun. 11	Change 12/11
Individuals	34,474	35,597	-3.2%
Mortgage loans	30,031	30,930	-2.9%
Consumer loans	4,443	4,667	-4.8%
Companies (1)	35,843	38,793	-7.6%
Services (1)	14,644	15,313	-4.4%
Commerce	3,817	4,680	-18.4%
Construction	4,661	5,318	-12.4%
Other	12,721	13,482	-5.6%
Total (1)	70,317	74,390	-5.5%
Of which:			
Portugal activity (1)	53,062	56,863	-6.7%
Foreign activity	17,255	17,527	-1.5%

(1) Adjusted for a Repo operation of Euro 2,256 million on 30 June 2011.

Credit quality, measured by the loans overdue by more than 90 days as a percentage of total loans, stood at 6.1% as at 30 June 2012 (3.8% as at 30 June 2011). The coverage ratio for loans overdue by more than 90 days stood at 95.8% as at 30 June 2012, compared to 101.5% on the same date in 2011. The coverage ratio of total loans portfolio by impairments reached 5.9% as at 30 June 2012 (3.8% at the end of June 2011).

The overdue and doubtful loans stood at 6.7% of total loans as at 30 June 2012, compared to 5.4% posted on the same date in 2011 and credit at risk stood at 13.2% of total loans as at 30 June 2012.

Credit quality



OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 30 JUNE 2012

Euro million

	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days / Total loans	Coverage ratio (Impairment/ Overdue >90 days)
Individuals	995	893	2.9%	89.8%
Mortgage loans	257	307	0.9%	119.4%
Consumer loans	738	587	16.6%	79.5%
Companies	3,302	3,222	9.2%	97.6%
Services	816	1,161	5.6%	142.2%
Commerce	419	352	11.0%	84.1%
Construction	1,355	701	29.1%	51.7%
Other international activities	14	223	0.6%	1631.7%
Other	699	785	6.6%	112.4%
Total	4,297	4,115	6.1%	95.8%

Total customer funds

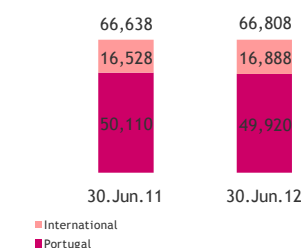
Total customer funds were up by 0.3%, adjusted for a repo operation of 2,256 million euros on 30 June 2011, to 66,808 million euros as at 30 June 2012, which compares with 66,638 million euros on the same date on 2011.

The favourable performance of total customer funds was sustained by the growth of 5.2% in balance sheet customer funds, benefiting from the rises of 5.5% in customer deposits and of 3.4% in debt securities. Off-balance sheet customer funds decreased to 12,302 million euros as at 30 June 2012 (14,847 million euros at 30 June 2011), influenced by both capitalisation products and assets under management.

In the activity in Portugal, total customer funds stood at 49,920 million

Total customer funds (*)

Euro million



(*) Adjusted from a Repo operation of 2,256 million euros as at 30 June 2011.

euros as at 30 June 2012, highlighting the increase of 7.3% in customer deposits, materialising the focus in the reinforcement of stable funding sources. In the international activity, total customer funds were up by 2.2%, supported by both balance sheet customer funds and off-balance sheet customer funds, benefiting from the performance of the operations developed in Poland, Mozambique and Angola.

TOTAL CUSTOMER FUNDS	Euro million		
	30 Jun. 12	30 Jun. 11	Change 12/11
Balance sheet customer funds (1)	54,505	51,791	5.2%
Deposits (1)	47,974	45,473	5.5%
Debt securities	6,531	6,318	3.4%
Off-balance sheet customer funds	12,302	14,847	-17.1%
Assets under management	3,620	4,234	-14.5%
Capitalisation products	8,682	10,613	-18.2%
Total (1)	<u>66,808</u>	<u>66,638</u>	0.3%
Of which:			
Portugal activity (1)	49,920	50,110	-0.4%
Foreign activity	16,888	16,528	2.2%

(1) Adjusted for a Repo operation of Euro 2,256 million on 30 June 2011.

Securities portfolio

The securities portfolio, which comprise financial assets held for trading, financial assets available for sale, assets with repurchase agreement and financial assets held to maturity, totalled 13,017 million euros as at 30 June 2012, a reduction of 6.1% from the same date in 2011, maintaining the weight of 14% of total assets

The financial assets held to maturity, which represented 29% of the securities portfolio as at 30 June 2012, decreased 41.3% from the end of June 2011. This evolution reflects the lower exposure to Portuguese and Greek sovereign debt and the repayment of bonds issued by Portuguese private issuers.

The portfolio of financial assets held for trading and of financial assets available for sale increased to 9,229 million euros as at 30 June 2012 (7,476 million euros on the same date in 2011), which represented 9.9% of total assets (7.6% as at 30 June 2011), due to the increase, during the first half of 2012, of the component of assets available for sale.

For further information and details on the composition and evolution of the abovementioned items please see the notes 24 and 26 to the consolidated financial statements of 30 June 2012.

PENSION FUND

The Group has undertaken the obligation to pay pensions to its employees upon retirement or due to disability and other obligations, in accordance with the terms established in the Collective Labour Agreement of the Banking Sector (“ACT”). The Group’s liabilities are essentially covered by the Pension Fund of Banco Comercial Português, which is managed by PensõesGere.

Following the Government’s decision in Decree-Law no. 127/2011, of 31 December 2011, which was a structural measure in the fulfilment of the objectives established in the PAEF, a Tripartite Agreement for the implementation of such Decree-Law was established between the Government, the Portuguese Association of Banks and the bank employee unions on the transfer, to social security, of the liabilities related to pensions paid to current retired employees and pensioners.

This Decree-Law established that the liabilities transferred correspond to the pensions being paid as of 31 December 2011, at constant values (0% updating rate) of the component laid forth in the Collective Labour Regulation Instrument (“IRCT”) of retired workers and pensioners. The liabilities relative to the updating of pensions, supplementary benefits to pensions to be undertaken by Social Security, contributions to the Bank’s Social Health Assistance Service (“SAMS”) for retirement and survivors’ pensions, death grants and deferred survivors’ pensions continue to be the responsibility of the institutions with funding being ensured through their respective pension funds. The abovementioned Decree-Law also establishes the terms and conditions under which the transfer would be carried out, setting a discount rate of 4% to determine the liabilities to be transferred.

The impacts of such changes include:

- A negative impact of 1.024 billion euros in the Bank’s equity as of 31 December 2011, associated with the liabilities in respect to the change to the accounting policy related to the recognition of the actuarial gains and losses associated to liabilities with pensions transferred to the Social Security and €117 million related with the cost of the transfer of the liabilities related with pensions to the Social Security are in net results. The transaction implied a negative impact of 74 b.p. to the regulatory capital as of 31 December 2011, which was recognised in June 2012, as a result of a decision made by the Banco de Portugal.
- A reduction to the Bank’s liabilities with pensions of 53%, which means that the Bank’s vulnerabilities associated with the market risk inherent to the Pension Fund is also reduced. This risk has penalised the Bank significantly in the recent past, especially considering the adverse economic and financial environment. In fact, the Bank has sustained accumulated actuarial losses of 1.7 billion euros up to 2011 period and 2009 was the only year where no actuarial losses occurred.

The transferred liabilities were determined based on actuarial assumptions that are different from those used by the Group, namely with respect to the discount rate (4%) and the mortality table (TV 88/90 for women and TV 73/77 aggravated by 1 year for men). These assumptions were determined under the assumption of a liquidation of liabilities (exit value) since this involves a definitive and irreversible transfer of these liabilities. This implies differences when compared with the assumptions used in the determination of the liabilities reflected in the financial statements prepared in accordance with the requirements of IAS 19 - Employee Benefits. The total value of the transferred liabilities reached 2.747 billion euros. The financial settlement of 55% of the operation, the value of 1.510 billion euros, took place before 31 December 2011, and the remaining value was transferred by 30 June 2012.

The liabilities related to retirement pensions had been totally funded at levels above the minimum limits defined by Banco de Portugal, presenting a coverage level of 105% at the end of the first half of 2012. As of 30 June 2012, the liabilities related to the pension and other employee benefits reached 2.4 billion euros, compared with 2.5 billion euros recorded as of 31 December 2011 and 5.2 billion euros recorded as of 30 June 2011.

In the first half of 2012, the Pension Fund recorded a negative rate of return of 4.1%, following the adverse behaviour of the markets and, in particular, of the performance of the capital markets in Portugal.

IAS 19 permits the use of alternative criteria for the accounting treatment of actuarial deviations. Previously, the Group had adopted the corridor method, where unrecognised actuarial gains and losses which exceeded 10% of the greater value between the present value of the defined liabilities and the fair value of the Fund’s assets were recognised against profit or loss according to the estimated remaining working life of the active employees.

In 2011, the Group decided to alter its accounting policy, and now recognises the actuarial deviations for the year against equity in accordance with IAS 19 - Employee Benefits. According to IAS 8, this alteration of accounting policy is presented for comparative effect as of 1 January 2010, whereby the entirety of the

deferred actuarial deviations is recognised under equity on that date. Hence, as of 31 December 2011, inclusively, the Group no longer recorded actuarial deviations in the balance sheet.

For prudential purposes, Banco de Portugal authorised the maintenance of the corridor for the liabilities not transferred to Social Security as well as the amortisation method defined previously for deferred adjustments related to the pension fund (extended corridor), with the exception of those arising from actuarial losses recorded in 2008, of the value corresponding to the liabilities transferred to Social Security. As at 30 June 2012, the value of the corridor relevant only for prudential effects reached 240 million euros.

CAPITAL

Following the request submitted by Millennium bcp, the Bank of Portugal formally authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the activity in Portugal as from 31 December 2010. In the scope of the gradual adoption of the IRB methodologies for the calculation of capital requirements for credit and counterparty risk and following the request submitted by Millennium bcp, the Bank of Portugal formally authorised the extension of this methodology to the subclasses of risk “Renewable Retail Positions” and “Other Retail Positions” in Portugal with effect as from 31 December 2011.

The consolidated Core Tier I stood at 12.1% on 30 June 2012, in accordance with the methods of Banco de Portugal (9.3% by the end of 2011) and in 9.7% pursuant to the criteria established by the European Banking Authority (EBA), being, in both cases, above the minimum established limits (9%). The ratios Tier I and Total stood at 11.5% and 12.5% on 30 June 2012 (8.6% and 9.5%, respectively, by the end of 2011).

This performance was enhanced by the issue of hybrid instruments eligible for Core Tier I, subscribed by the Portuguese State within the scope of the recapitalization process of the Bank, notwithstanding the unfavourable effects mostly associated with the end of the prudential neutralisation of the impacts registered in 2011, with the transfer of pension liabilities into the Social Security General Regime and with the Special Inspections Program, the losses recorded in the first six months of 2012 and with the actuarial losses registered by the pension fund.

On 30 June 2012 the Core Tier I, estimated pursuant to the rules of Banco de Portugal, evidenced an increase of 1,602 million Euros versus the figures reported on 31 December 2011, due namely to:

- The issue of eligible hybrid instruments in the amount of 3,000 million euros (+541 b.p.), made in June 2012;
- The recognition on 30 June of the impacts subject to a regulatory neutralization at the end of 2011: -439 million Euros (-79 b.p.) related to the partial transfer of pension liabilities into the Social Security General Regime (of which -117 million euros due to its impact in the 2011 net earnings and -322 million euros related with the corridor and the enlarged corridor associated with those liabilities) and -271 million euros (-49 b.p.) concerning impairment made within the scope of the Special Inspections Program;
- The net earnings of the first six months of 2012, -544 million euros (-98 b.p.), were affected by the establishment of an impairment amounting to 450 million euros for estimated losses related to the economic framework of Greece;
- The impacts related with the pension fund, that totalled -230 million euros (-41 b.p.), resulting from the actuarial losses estimated in the first six months of 2012, adjusted by the variation of the regulatory corridor (-149 million euros), and the prudential amortization of the deferred impacts of the transition into the IAS/IFRS, the change of the mortality table made in 2005 and the actuarial losses registered in 2008 (-81 million euros);
- The negative impacts associated to other prudential filters (-16 b.p.), namely deposits with yields above a certain threshold (-63 million Euros) and the shortfall of impairment to regulatory provisions accounted for exposures processed by the standardised approach (-26 million euros);
- The favourable effects determined by the increase of the shareholders’ equity of Millenniumbcp Ageas of 75 million Euros (+13 b.p.), by the finding of positive foreign exchange differences amounting to 26 million euros (+5 b.p.), by the increase of minority interests of 46 million euros (+8 b.p.), by the decrease of the prudential deduction associated to own credit risk of 17 million euros (+3 b.p.) and by other residual effects that, together represented +12 million euros (+2 b.p.).

The Core Tier I computed based on the EBA’s criteria includes, in addition to the amount of Banco de Portugal (6,738 million Euros), the following impacts:

- The capital buffer for sovereign risks (-848 million euros), which results from the amount estimated as at 30 September 2011 (-1,165 million euros) after taking the impairment accounted afterwards for the Greek public debt;
- The 50% deduction to the non-core Tier I, computed according to the rules of Banco de Portugal, for the Group’s significant financial investments and for the shortfall of impairment to expected losses in exposures handled using the internal ratings approach (which together amount to -515 million euros).

Risk weighted assets increased 185 million Euros (-3 b.p.) between the end of 2011 and 30 June 2012, influenced by the worsening of the risk of exposures to customers accounted using the internal ratings approach, despite the strengthening of the provisioning for credit risks, including the impairment for estimated losses previously mentioned, and the continued effort to optimize credit and market risks.

SOLVENCY	Euro million	
	30 Jun. 12	31 Dec. 11
Own Funds		
Core Tier I	6,738	5,135
conditional coupons	172	173
Other deduction (1)	(515)	(520)
Tier I Capital	6,394	4,788
Tier II Capital	675	613
Deductions to Total Regulatory Capital	(139)	(138)
Total Regulatory Capital	6,930	5,263
Risk Weighted Assets	55,640	55,455
Solvency Ratios		
Core Tier I	12.1%	9.3%
Tier I	11.5%	8.6%
Tier II	1.0%	0.9%
Total	12.5%	9.5%
Rácio de capital EBA (2)	9.7%	

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

(2) Core Tier I ratio computed based on the EBA's criteria. Within this scope, the Core Tier I calculated in accordance with the rules of Banco de Portugal was decreased by the "Other deduction (1)" and the capital buffer for sovereign risks (848 million Euros); risk weighted assets had not been subject to any adjustment.

Note: The Bank received authorisation from the Bank of Portugal (BoP) to adopt IRB approaches for the calculation of capital requirements for credit risks, as from 31 December 2010. Estimates of the probability of default and the lost given default (IRB Advanced) were used for retail exposures to small companies and collateralised by commercial and residential real estate, and estimates of the probability of default (IRB Foundation) for corporate exposures, in Portugal, excluding property development loans and entities from the simplified rating system. In the scope of the Roll-Out Plan for the calculation of capital requirements for credit and counterparty risk under IRB approaches and following the request submitted by the Bank, the Bank of Portugal formally authorised the extension of this methodology to the subclasses of risk "Renewable Retail Positions" and "Other Retail Positions" in Portugal with effect as from 31 December 2011. In the 1st half of 2009, the Bank received authorisation from BoP to adopt the advanced approaches (internal models) to the generic market risk and the standard method for the operational risk.

CAPITALISATION STRATEGIC PLAN

REASONS BEHIND THE NEED FOR ADDITIONAL CAPITAL

The international financial crisis and the impact on the financial condition of the sovereign nations were decisive factors driving the degradation of the business environment, profitability and financial strength of the banking sector in Portugal. This situation, as well as the new regulatory requirements of eminently temporary nature, determined the additional capital needs:

- The Financial and Economic Assistance Program (“FEAP”) which imposed a minimum ratio for core tier I of 9% at the end of 2011 and 10% at the end of 2012;
- The European Banking Authority (“EBA”), which imposed a minimum ratio for Core Tier I of 9% at the end of June 2012, calculated on the basis of additional deductions, in particular a temporary buffer to cover sovereign risk and the anticipation of Basel III rules.

QUANTIFICATION OF THE CAPITAL REQUIREMENTS

The amount of capital solicited is therefore aimed at satisfying the capital needs determined by what are primarily exogenous impacts, of which a substantial portion are of a temporary nature or designed to anticipate requirements expected under Basel III.

The aforementioned impacts are as follows:

1. Exogenous impacts

- Downgrades of the sovereign ratings for Portugal and Greece (151 million euros);
- Impairment of Greek public debt (409 million euros);
- The EBA’s sovereign buffer, excluding Greek public debt (848 million euros);
- Other EBA deductions, in anticipation of the Basel III rules (724 million euros);
- Losses from the transfer of pensions to the National Social Security System (439 million euros).

2. Contingent risks related to the need to establish provisions of a non-recurring nature for our Greek subsidiary, as a result of the gradual deterioration of the economic and financial situation in that country (450 million euros)

3. Additional safety buffer against future uncertainty (479 million euros)

THE RECAPITALIZATION OPERATION

After considering the risks, uncertainty and volatility associated with the expected development of BCP’s activity, the estimated additional capital needed, to be realized through public investment, is 3.0 billion euros, complemented by an additional 500 million euros to be raised through private investment:

1. Issuance of hybrid instruments, in 29 June 2012, in the total amount of 3.0 billion euros, eligible as Core tier I, to be subscribed by the Portuguese State, and which is expected to begin being paid back starting in 2014, with full amortization by the end of 2016 (500 million euros in 2014, 1.0 billion euros in 2015 and 1.5 billion euros in 2016), even though the bank has the right to complete the repayment in 2017;

2. Issuance of ordinary shares, until 28 September 2012, in the estimated amount of 500 million euros, in exchange for new funds, to be subscribed by shareholders and fully underwritten by the State. For the underwriting agreement a price has been established of €0.04 a share.

THE STRATEGIC PROGRAM (2012-17) DESIGNED TO COMPLY WITH CAPITAL REQUIREMENTS WITHOUT PUBLIC INVESTMENT

The strategic program (2012-17) will involve:

Reinforcing the capital position, to comfortably above regulatory requirements, with a simultaneous reduction of the transformation ratio, thereby allowing for a balance sheet structure that is less dependent on wholesale markets;

Recovery of profitability:

1. Recovery of income, in particular through the normalization, in accordance with the economic cycle, of the cost of deposits;
2. Continuation of the restructuring of the cost base c. Strengthening of the mechanisms for risk management, allowing for the normalization, in accordance with the economic cycle, of the cost of risk;
3. Greater focus in lending decisions, increasing new production for SMEs and exporting companies;
4. Continuation of the focus on markets with high growth potential (in particular Poland, Mozambique and Angola) while reducing and mitigating the exposure to Greece.

FUNDING AND LIQUIDITY

In compliance with the Liquidity Plan approved in 2012, in the 1st half of 2012 it were issued and incorporated into the pool of eligible assets for discount at the European Central Bank (ECB) two issues of debt guaranteed by the Portuguese State in the amount of 1.4 billion euros and 1.5 billion euros (totaling approximately 2.4 billion euros after haircuts).

The ECB Council decided in December 2011, to adopt additional measures to promote lending and money market liquidity in the euro area, extending, among others, the criteria for determining the eligibility of assets to be used as collateral in monetary policy operations of the Eurosystem. These measures, of temporary nature, in fact contributed to mitigate the effects of a possible loss of eligibility in the pool of eligible assets.

Enjoying the temporary widening of the acceptance criteria of eligible collateral by the ECB, were added to the pool 2.4 billion euros (after haircuts) of credit assets accepted by the Banco de Portugal. Both actions mitigated the effects of loss of eligibility, among other operations less material, the Caravela securitization (700 million euros) and the exit of the pool of securitizations named Magellan 5 and 6 (1.2 billion euros), according to a perspective of collateral management optimization.

The success of the effort to deleverage, reflected in a reduction of 3.2 billion to the commercial gap in Portugal, enabled not only to repay the medium and long term debt on the amortization dates (3.3 billion) also to perform two liability management operations that resulted in additional early redemptions of 1.4 billion euros and which added to other repurchase operations totalled 4.9 billion euros. The entry of 3 billion euros associated to the issue of Government Subscribed Core Tier 1 Capital Instruments allowed to match this high level of debt amortization with a material reduction in the ECB's net exposure from 12.7 billion euros to 11.3 billion euros.

On the other hand, it was possible to alter significantly the Bank's wholesale funding term profile through the resort to the second ECB's 3 year Long Term Refinancing Operation, which allowed an increase from 5.1 billion euros to 12.1 billion euros in the total amount funded at a 3 year term.

By the end of the year it is expected to be incorporated into the asset pool of eligible assets at least 2.1 billion euros of assets through a covered bond issue, in parallel with the continued effort to reduce commercial gap. The value of debt to be repaid in the 2nd half of 2012 is not material (0.6 billion euros) as indeed in the full year of 2013, 1 billion euros.

RATINGS ASSIGNED TO BCP

Governments may affect the bank loan quality in various ways. Over the last four years, since the beginning of the international financial crisis in 2007, and in particular in Europe, the banks have been supported by governments with capital, liquidity, insurance of assets and/or guarantees. In turn, the banks may influence sovereign credit risk, where the case of Ireland is the most visible example. Various policy initiatives are in place, such as, for example Basel III, aimed at strengthening bank solidity, in order to reduce the risk of the future necessity of rescue packages sponsored by governments. Sovereign risks are also important in the assessment of the solvency of a bank, through the capability and higher or lower likelihood of the government to support the bank, should this be necessary. Pressures on sovereign credit risk have led to the downgrading of the sovereign rating and, as a consequence, the rating of banks. This has been the scenario in Europe, in particular in countries most affected by the sovereign debt crisis, in which Portugal is included.

The beginning of 2012 was marked by continued negative perception of the Rating Agencies with respect to credit risk of the Portuguese Republic, reflected in the negative outlook for the Portuguese economy and the enormous effort required to correct the large imbalances in external accounts and public finances, which prompted the downgrade of the Portuguese Republic by DBRS, S&P and Moody's in the 1st half of 2012. Despite these actions, the Rating Agencies, globally, recognize the success of the Portuguese Government in meeting the objectives for the budget deficit under the Economic and Financial Assistance Program settled in May 2011. IMF estimates a reduction of the structural deficit equivalent to 3.5% of GDP in the 2011-2012 period. The GDP fell 2,8% in the first half of 2012, compared to the same period of previous year, though the positive contribution of external demand. One source of concern however is the increase in unemployment (15.2% in May 2012, according to Eurostat). The underlying macroeconomic scenario to the 4th revision of the Structural Adjustment Programme, which took place in May this year, estimates a significant contraction of the economic activity in 2012 but forecasts the beginning of the economic recovery from next year onwards. Although the noted progresses regarding the structural reforms remain relevant challenges for the future. According to the Rating Agencies, the Negative Outlook on the Portuguese economy will continue to constrain the evolution of the banking sector, which will have to continue the process of deleveraging, and face the deterioration in asset quality and profitability in the coming years. Thus, the ratings of the main domestic banks continued to be very conditioned by the evolution of the Portuguese Republic rating, although Rating Agencies have mentioned also specific factors of concern for the banking system and individual institutions in particular. The evolution of BCP ratings, in recent years, has followed closely the trend in the evolution of the Republic of Portugal ratings. The sovereign credit risk appears to be a key element in evaluating the creditworthiness of financial institutions, since the State has powers and resources that affect the operating environment and financial entities under the jurisdiction, with the support currently fully in force as a result of the implementation of the capitalization plans of Portuguese banks (CGD, BCP, BPI and ESFG).

Following a downgrade of the rating of the Republic of Portugal, DBRS revised on 31 January 2012 the long-term rating of Banco Comercial Português, S.A. from BBB to BBB (low), with "Negative Trend", and the short-term rating from R-2 (high) to R-2 (mid) with "Negative Trend". On May 24, 2012, DBRS placed the ratings of Banco Comercial Português, S.A. under review with negative implications, following a similar action on the Portuguese Republic.

On January 31, 2012, following the downward revision in the rating of the Portuguese Republic from "BBB/A-3" to "BB/B", S&P placed on review with negative implications, the long-term rating of various Portuguese banks, including the BCP. Following a downgrade of the Portuguese Republic's rating, a revision of the Banking Industry Country Risk Assessment for Portugal, and in the context of a review of Portuguese banks' ratings, Standard and Poor's reduced on 14 February 2012 the long-term rating of Banco Comercial Português, S.A. from "BB" to "B+", with Negative Outlook, while the short-term rating was confirmed at "B".

On February 16, 2012, Moody's revised the ratings of 114 European financial institutions from 16 European countries. In this context, Moody's placed the long-term rating of Banco Comercial Português, S.A. "Ba3" under observation for a possible downgrade and confirmed the short-term rating of "NP". On March 28, 2012, Moody's announced that it has concluded the review of the ratings of the Portuguese banks, initiated on 15 February, following the revision of its rating for the Republic of Portugal from "Ba2" to "Ba3" on February 13, 2012. In this context, BCP long-term rating was confirmed at "Ba3" with Negative Outlook (identical to the rating of the Portuguese Republic), and the short-term rating was confirmed at Not Prime (NP). The Bank Financial Strength Rating (Baseline Credit Assessment) was revised from E+(B1) to E+(B2), with Negative Outlook.

On June 18, 2012, Fitch Ratings has downgraded the Viability Rating of Banco Comercial Português, S.A. from "b" to "cc". The ratings of long and short term were re-affirmed at "BB+/B" and maintained a negative outlook.

MOODY'S

March 28, 2012

Bank Financial Strength Rating (BFSR)	E+
Baseline Credit Assessment (BCA)	B2
Outlook	Negativo
Long Term	Ba3
Subordinated Debt	B3
Preference Shares	Caa2
Short Term	NP
State Guaranteed Debt	Ba3

Bank Millennium S.A.	29 de março de 2012
LT/St Local and Foreign Currency	Baa3/P-3
Outlook	Negativo
Bank Financial Strength Rating (BFSR)	D

S&P

February 14, 2012

Stand-alone credit profile (SACP)	b
Counterparty Credit Rating	B+ / B
Outlook	Negativo
Certificate of Deposit	B+ / B
Comercial Paper	B
BCP Finance Bank Ltd.	
Senior Unsecured	B+
Subordinated Debt	CCC+
Comercial Paper	B
BCP Finance Co.	
Preference Shares	CCC

FITCH RATINGS

March 8, 2012

Long Term / Short Term	BB+/B
Outlook	Negativo
Viability Rating	b
Individual	D/E
Support Rating	3
Support Rating Floor	BB+
State Guaranteed Debt	BB+
Senior Unsecured	BB+
Subordinated Debt LT2	B-
Preference Shares	CC
Comercial Paper Programme	B

Bank Millennium S.A.	1 de dezembro de 2011
Long Term / Short Term	BBB-/F3
Viability Rating	bbb-
Outlook	Stable
Individual	C/D
Support Rating	3
Support Rating Floor	BB

DBRS

January 31, 2012

Senior Debt & LT Deposits	BBB (low)
Outlook (Trend)	Negativo
Debt & ST Deposits	R-2 (mid)
Intrinsic Assessment (IA)	BBB

Note: Rating notations as at June 30, 2012. S&P announced in 11 July, following the analysis of implications of the recent recapitalization measures adopted by the Portuguese banks, to maintain the main Rating notations of BCP. Fitch announced in 17 July that have positively reviewed BCP Rating notations - Viability Rating from "cc" to "b", subordinated debt (Lower Tier 2) from "C" to "B-" and Preferred Stock from "C" to "CC" in order to reflect the capital improvement and the perspective that the Bank will be better positioned to face the recession scenario in Portugal.

SEGMENTAL REPORTING

Millennium bcp offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Retail Banking, Companies Banking (which includes the Companies and Corporate & Investment Banking) and Private Banking & Asset Management.

Business	Geographical Segments
Retail in Portugal	<ul style="list-style-type: none"> - Millennium bcp Retail network in Portugal - ActivoBank
Companies	<ul style="list-style-type: none"> - Millennium bcp Companies network (Portugal) ⁽¹⁾ - Real Estate Business Division - Interfundos
Corporate & Investment Banking	<ul style="list-style-type: none"> - Millennium bcp Corporate network in Portugal ⁽²⁾ - Investment Banking - International Division
Asset Management & Private Banking ^(*)	<ul style="list-style-type: none"> - Millennium bcp Private Banking network (Portugal) - Subsidiary companies specialised in the asset management business (Portugal) <p><small>(*) In terms of business segments, it also includes: Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands).</small></p>
Foreign Business ^(**)	<ul style="list-style-type: none"> - Bank Millennium (Poland) - Millennium bank (Greece) - Banca Millennium (Romania) - BIM - Banco Internacional de Moçambique - Banco Millennium Angola - Millennium Banque Privée (Switzerland) - Millennium bcp Bank & Trust (Cayman Islands) <p><small>(**) In terms of business segments, excluding: Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands).</small></p>

(1) Dedicated to businesses with an annual turnover of between Euro 2.5 million and Euro 50 million.

(2) Aimed at corporate and institutional customers with an annual turnover exceeding Euro 50 million.

SEGMENT ACTIVITY

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

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, the weighted risk, as well as the capital allocated to segments, are based on Basel II methodology, with the application in Portugal in 2011 and 2012 of the IRB Advanced method for the Retail portfolio in credit risk and the IRB Foundation method for loans to companies, excluding real estate promoters and entities of the simplified rating system. Additionally, it was 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. The capital allocation for each segment, in the first half of 2011 and 2012, resulted from the application of 10% to the risks managed by each segment.

Information related to 2011 is presented on a comparable basis with the information reported in 2012, reflecting the current organisational structure of the Group's business areas referred to in the table described above, and considering the effect of the transfer of clients and also the redeployment of cost of funds held under the rationalization of the business platform.

The net contributions of each segment include, where applicable, the non-controlling interests. Thus, the net contribution reflects the individual results achieved by its business units, independent of the percentage held by the Group, including the impact of movements of funds described above. 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 2012.

<i>Euro million</i>															
	Retail Banking			Companies			Corporate & Investment Banking			Asset Management & Private Banking			Foreign Business		
	30 Jun.	30 Jun.	Change	30 Jun.	30 Jun.	Change	30 Jun.	30 Jun.	Change	30 Jun.	30 Jun.	Change	30 Jun.	30 Jun.	Change
	12	11	12/11	12	11	12/11	12	11	12/11	12	11	12/11	12	11	12/11
Profit and loss account															
Net interest income	110,1	107,4	2,5%	127,4	117,7	8,3%	154,2	129,6	19,0%	19,2	15,6	23,1%	263,8	294,6	-10,4%
Other net income	199,8	205,4	-2,7%	49,7	48,8	1,9%	86,6	88,5	-2,2%	13,2	15,4	-14,1%	192,4	166,8	15,4%
	309,9	312,8	-0,9%	177,1	166,5	6,4%	240,7	218,1	10,4%	32,4	31,0	4,6%	456,3	461,4	-1,1%
Operating costs	309,7	319,6	-3,1%	34,6	31,6	9,4%	37,9	38,0	-0,3%	14,0	15,6	-10,3%	291,8	290,0	0,6%
Impairment	24,0	77,2	-68,9%	170,9	142,0	20,4%	255,2	246,9	3,4%	14,8	21,1	-29,8%	110,9	61,5	80,4%
Contribution before income tax	(23,8)	(83,9)		(28,4)	(7,1)		(52,3)	(66,8)		3,6	(5,7)		53,6	109,9	
Income taxes	(6,7)	(24,2)		(8,2)	(2,1)		(15,2)	(19,4)		0,9	(1,7)		(2,7)	17,0	
Net contribution	(17,1)	(59,8)		(20,1)	(5,0)		(37,1)	(47,4)		2,7	(4,1)		56,3	93,0	
Summary of indicators															
Allocated capital	953	1.458	-34,6%	959	1.063	-9,8%	1.887	1.559	21,0%	64	79	-19,1%	2.211	1.813	21,9%
Return on allocated capital	-3,6%	-8,3%		-4,2%	-1,0%		-4,0%	-6,1%		8,4%	-10,4%		5,1%	10,3%	
Risk weighted assets	9.528	14.579	-34,6%	9.585	10.631	-9,8%	18.866	15.594	21,0%	641	797	-19,6%	18.113	14.848	22,0%
Cost to income ratio	99,9%	102,1%		19,5%	19,0%		15,7%	17,4%		43,1%	50,3%		64,0%	62,9%	
Loans to customers (1)	27.107	29.515	-8,2%	10.437	11.929	-12,5%	13.451	13.438	0,1%	1.099	1.260	-12,8%	16.513	16.907	-2,3%
Total customer funds	32.873	33.343	-1,4%	3.263	3.497	-6,7%	11.842	13.583	-12,8%	5.693	6.386	-10,8%	16.888	16.529	2,2%

(1) Includes commercial paper in the Retail, Companies and Corporate & Investment Banking segments.

Note: Loans to companies and total customer funds on monthly average balances, excluding the foreign business segment.

Retail in Portugal

The Retail in Portugal posted a net loss of Euro 17.1 million in the first half of 2012, comparing favourably with a net loss of Euro 59.8 million in the first half of 2011, determined by the increase in net interest income and the decrease in impairment charges.

The increase in net interest income shows the effect of the loan operations repricing process, held in 2011, despite declining volume, and reallocation of the cost of funding held within the rationalization of business platform. The reduction of the loan portfolio is in line with the strategic priority of reducing the trade gap on par with the increasing selectivity in loans granted, reflected mostly in loans to individuals.

The decrease in other net income results from a reduction of commissions, particularly those associated with the loans to customer, despite the increase related to demand deposits.

Impairment charges for loan losses showed a decrease yoy, strengthening 2011 and the transfer of customers between networks within the rationalization of business platform.

The trade gap evolved favourably, compared with 30 June 2011, supported by the reduction of customer loans and deposits increase. Thus, loans to customers decreased by 8.2%, totalling Euro 27,107 million as at June 30, 2012, following the reduction of mortgage and consumer loans, in an environment of balance sheet deleveraging. The total customer funds decreased by 1.4%, stood at Euro 32,873 million as at June 30, 2012, determined by the reduction of insurance and assets under management. Balance sheet resources increased 3.8%, following an increase in term deposits, partially offset by a decrease in demand deposits.

Companies

The Companies recorded a net loss of Euro 20.1 million in the first half of 2012, compared with a net loss of Euro 5.0 million in the first half of 2011, mainly determined by the higher level of impairment charges for loan losses, despite the increase of net operating revenues by 6.4%.

The increase in impairment charges for loan losses reflects the impact of the transfer of customers between networks performed within the platform rationalization of business and the increase in impairment indicators in the loan portfolio, following an adverse macroeconomic environment and the deterioration of economic and financial conditions.

The increase in net interest income is supported in Companies network, reflecting the decrease of demand deposits interest rate and the increase in loans interest rate, due to the repricing of operations, despite the increase in the term deposits interest rate and the business volume decrease.

The increase in other net income is associated with an increase in commissions related to loans, demand deposits and insurance risk.

The increase in operating costs, particularly in staff costs, due to readjustment of platform business resulted in an increase of the number of employees and branches.

Loans to customers decreased 12.5% compared to June 30, 2011, totalled Euro 10,437 million as at June 30, 2012, including commercial paper, showing the reduction in financing, credit syndicator, property development loans and real estate leasing.

Total customers funds decreased 6.7% compared to June 30, 2011, totalling Euro 3,263 million as at June 30, 2012.

Corporate & Investment Banking

The net contribution of the Corporate & Investment Banking recorded a net loss of Euro 37.1 million in the first half of 2012, comparing favourably with a net loss of Euro 47.4 million in the first half of 2011, due to the favourable performance of net interest income, despite the increase in impairment charges for loan losses.

The increase in net interest income, at 19.0%, was supported by the Corporate network and incorporates the effect of the repricing of loans, which resulted in customer interest rate increase, and was associated with an increased of loans to customers volume.

The increase in credit impairment charges compared to the first half 2011 due to the transfer of customers between networks within the platform rationalization of business and increased signs of impairment of the loan portfolio, following the persistence of an adverse macroeconomic environment, and the deterioration of economic and financial conditions.

The decrease in other net income due mainly from the reduction in net trading income in investment banking, despite the performance of the Corporate network associated with growth in commissions related to financial services, deposits and credit for signature.

Loans to customers remained without significant changes in product mix, standing at Euro 13,451 million as at June 30, 2012.

The total customer funds decreased by 12.8%, standing at Euro 11,842 million as at June 30, 2012, resulting from lower debt securities and deposits.

Asset Management & Private Banking

The Asset Management & Private Banking segment (geographic segmentation) posted a net contribution of Euro 2.7 million in the first half of 2012, comparing favourably with a net loss of Euro 4.1 million for the first half of 2011, given by increase in net interest income and the decrease in impairment charges for loan losses.

The increase in net interest income by 23.1% is supported in the Private Banking in Portugal, reflecting the repricing of loans operations and the increase in loan to customer volume.

The decrease in impairment charges for loan losses results from the increased appropriations made in 2011, despite the adverse macroeconomic environment and the deterioration of economic conditions.

Loans to customers decreased 12.8% compared to June 30, 2011, as a result of the reduction in the loan portfolio of International Private Banking, notwithstanding the increase in the portfolio of Private Banking in Portugal.

The total customer funds, which decreased 10.8% compared to June 30, 2011, stood at Euro 5,693 million as at June 30, 2012, driven by lower assets under management and capitalization insurance, despite the increase of deposits by 8.5%.

Foreign Business

The net contribution of the Foreign Business segment (geographic segmentation) amounted to Euro 56.3 million in the first half of 2012, comparing unfavourably with the value of Euro 93.0 million achieved in the same period of 2011, determined by the performance of the Greek operation, despite the positive trend in the contribution of operations in Romania, Mozambique and Angola.

The decrease in net interest income over the same period of 2011, is primarily due to the performance of the operation developed in Greece and is supported in increased interest rates of customer deposits and the cost of financing in the money market. Remarkably it was worthy of note the good performance of net interest income in Poland, Mozambique and Angola operations.

The increase in other net income reflects, essentially, the performance of the operations in Greece, Mozambique and Angola.

Operating expenses increased 0.6% over the first half of 2011, influenced by the costs in Mozambique and Angola, resulting from organic growth strategy, being partially offset by reductions, observed in Greece, Poland and Romania.

The increase in impairment charges, compared to the first half of 2011, is associated with a higher level of provisioning in Greece, Poland and Mozambique, partially offset by lower level of provisions occurred in Angola and Romania.

The total customer funds increased 2.2% to Euro 16,888 million as at June 30, 2012, most notably the increase in deposits by 2.0% yoy. Highlight to the increase of balance resources evidenced in Poland, Romania, Mozambique and Angola.

Loans to customers decreased by 2.3% to Euro 16,513 million as at 30 June 2012, due to the decrease in Cayman Islands, Greece and Switzerland operations, partially offset by the increase in Romania, Angola and Mozambique.

BUSINESS IN PORTUGAL

RETAIL

RETAIL NETWORK IN PORTUGAL

In the 1st semester of 2012, Millennium bcp was implementing the new segmentation strategy defined in 2011 with Project M. With the segmental realignment the Bank is focused in improving quality and service levels to its Customers as well as more proximity and support as Customers are served by distinct branches according to their financial needs.

Individuals segment

In the first semester of 2012, the individuals segment restructured its Client base with the new segmentation strategy. As a consequence, it was applied a specialization model for the commercial networks of Retail and Private Banking. The main impact of the specialization process was a better fit between value proposition and Client materialized on the platform and segment upgrade for Clients under the principle of “better service and more value in the right place”. This segment specialization was also visible on a new commercial approach model and a better product and service offering to each segment. The new segmentation highlighted the “Living Abroad” segment with a new value proposition with focus the capture of remittances and client

Companies segment

The first half of 2012 was conditioned by the increase in non performing loans and credit impairments, which forced a focus in recovery and prevention of overdue credit. Despite the adverse environment the Bank continued its policy of supporting Small and Medium Enterprises, which show sustainable business plans and export-oriented.

To increase focus on customers and their needs, it was implemented a new segmentation of the commercial network. Several initiatives were made to capture savings and were developed campaigns to support Micro and Small Enterprises. In this context and for small enterprises it was developed the campaign “Fazemos o Negócio na Hora” that promoted a fast and easy credit support, simultaneously promoting the raising of companies’ treasury funds.

In order to support small and medium enterprises in was created a set of new operating processes regarding non performance loans and prevention of overdue loans. Moreover, it was developed a specific offer for customers who had difficulties in meeting debt service or occasional treasury difficulties. These initiatives were embodied by a set of standardized measures of action, available for the Network, to act on early signs of difficulty, designated “SAF - Negócios,” and that allow the consolidation of debts, extensions of loans time or restructuring payment plans on favorable terms to customers.

Customer Funds

During the first semester of 2012, the strategy of raising funds adopted by the Millennium bcp had closely followed the practices of the banking sector, and it was sought to reduce the cost of resources portfolio, focusing on shorter term saving in order to have a lesser aggressive price policy and, in addition, to promote a higher portfolio turnover, which allows more and quicker adjustment and repricing of the portfolio. This was done not compromising the retention of funds and commercial gap.

For the second semester, the strategy will be based on the objective of growing customer funds, in order to further reduce the commercial gap and leverage. Furthermore, this goal must be reconciled with the optimization of the cost of financing in order to contribute to the improvement of profitability of the Bank. In this sense, to pursue this strategy in the coming months there will be promoted the placement of products with prices adjusted to current market conditions and shorter terms in order to allow, without major disruption, achieving profitability and funds growth objectives.

This strategy should be supported with measures to strengthen market monitoring, since it only becomes feasible if the other banks adopt similar lines of work. There is also the risk of a very significant increase in public offerings of non-financial corporate bonds, with payments of fixed rates higher than the rates offered by banks, which could undermine the strategy mentioned above.

Loans to Customers

The negative economic outlook in 2012 has affected investor confidence and consumer behavior has changed, reflecting the increased risk aversion and the postponement of investment projects either for companies and individuals. The combination of liquidity constraints to the banking system and increased funding costs, together with greater carefulness of clients in long-term commitments and the policy of more restricted lending, led to a decrease in the number of new operations in loans to Individuals, small Business and Enterprises. In light of market conditions, adjustments were made in pricing spreads and rules concerning pricing, with the objective of better adequacy of risk variables and time, in a context of credit restriction and increased need for profitability of operations.

Loans to Individuals

It should be highlighted the focus given to the selling of Bank's real estate portfolio and financed real estate projects, through the reinforcement of national and regional sales, auctions, advertising as well as special financing conditions for buyers.

Furthermore, the Bank continued to support customers in financial difficulty and have strengthened the Financial Support Service - "SAF - Particulares", giving it greater scope and new solutions. It is the concern of Millennium bcp to propose solutions to Clients that best fit their budget constraints, in order to reduce the financial burden of the payment of their claims.

Loans to companies

The Micro and Small Companies with good business plans have continued to receive the Bank support their treasury and investment need, highlighted by the promotion of "Linha PME Crescimento" - a credit line for small companies, and a specific credit above-the-line campaign "Fazemos Negócio na Hora" - we do business immediately. It was favored the short-term credit and financing of companies export-oriented.

Reduction of nonperforming loans and credit incidents prevention has been and will remain a central priority. Accordingly, the Bank created a special offer for Clients at increased financial pressure with the objective of acting on early signs of difficulty, designated Financial Support Service, "SAF - Negócios" and made it available to the network for immediate action.

The Bank perspectives for the second semester several actions to support Small and Medium Enterprises, among which stands out the above-the-line campaign to promote the credit line "PME Crescimento", with the support of Finova under the QREN program. Moreover, Millennium bcp will continue to work on the prevention and recovery of credit claims, developing the operational support processes and the offer in SAF - Negócios, acting primarily in situations of difficulty or misbehavior in early stage. The recovery of net interest margin on credit operations will be central to the business process.

Cards

The activity cards in the 1st half of 2012 was dominated by the contraction of consumption, the downgrade of credit risk quality and the increase of the incidents on credit payments. As a result of the adverse economic outlook the card portfolio decreased 2.5% in the 1st half of 2012, in comparison to the same period of 2011, reflecting the trend of rationalization and centralization of cards by customers and was also verified the reduction in the number of clients available for owning a cards. The total turnover also recorded a negative change 6.3%, from 6.4 billion euros, in the 1st half of 2011, to 5.9 billion euros, in the 1st half of 2012. The reduction was reflected on all the card business.

The strategic lines which framed the activity of the card business in the 1st half of 2012 were in line with the economic and social context and the preferences of customers:

- Increased focus on the use of debit cards, making it the center of the relationship and loyalty to the Bank;
- Defense of the portfolio of credit cards, adding benefits and returning value to Clients;
- Strengthening the network of Acquiring Amex, allowing the mass use of cards of this brand, more profitable for the Bank and with greater rewards to Clients.

In order to support families in managing their financial budgets and control their expenses, the Millennium bcp shares favored the responsible use of cards, avoiding contributing to over-indebtedness. With this principle, there were developed permanent campaigns:

- Returning cards annual fee (Vice Versa)
- Cash-Back on card purchases (e.g. American Express Blue campaign "5% cash- back on the card account")

- Increase the benefits of loyalty programs (more points, more miles).

In what regards to new products, the Bank extended its portfolio of prepaid cards with the launch of the Free Refeição Card (prepaid card that substitutes lunch vouchers), allowing greater efficiency in paying and receiving lunch subsidy, with advantage for companies and its employees.

Concerning Express Acquiring, Millennium bcp continued to increase the network of dealers, by acquiring an additional 300 new members, raising the network to 49,300 establishments, with wide geographical spread and business diversity. Fulfilling the duties of unique acquirer for Portugal, there were developed multiple branding initiatives, as well as Network Marketing, of which is example the launching, at national and international level, of "Routes of Amex Advantages" - Minho, Porto, Algarve and Madeira - provided significant discounts for American Express card holders.

The guidelines for the second semester are consistent with the priorities agenda, focusing on careful risk management, efficiency and cost savings and enhanced profitability of the business line. There is no expectation that the volumes of business will grow significantly, therefore all actions are directed towards:

- Optimize income from commissions (review of pricing has already begun);
- Maintain good levels of margin (further review of nominal rates);
- Launch products with higher profitability (e.g. Amex Business Twins cards);
- Encourage the use of revolving credit lines for customers with good risk and a good overall relationship with the Bank;
- Maintain constant attention to innovation and new opportunities in contactless and mobile payments, preparing the future of cards business.

The main risks to cards business line are linked to potential worsening of economic situation of households and companies, which could result greater contraction of consumption and further downgrade of credit quality.

Insurance

In terms of risk insurance, as in previous semesters, associated sales continues to decline due to lower volume of credit granted. Thus, the focus remains in the sale of products that promote the global protection of Clients:

- Review of Auto Insurance offer (Mobis), in order to provide better conditions for the best customers, creating a new brand for the product: Mobis;
- Possibility of underwriting Médis insurance through Internet Bank by customers in an innovative and simplified process. During two months was offered to Médis new Clients exemption from payment of 12th monthly fee;
- Protection plans in order to protect salaries or for payment of credit / debits, thereby protecting customers from any unexpected;
- Multi-risk housing insurance, with new coverage, where is highlighted the extent of appliances warranty for five years.

Selfbanking inside Millennium bcp branches

Millennium bcp is undertaking a thorough job to optimize its park of selfbanking equipments, with implementation scheduled for the 2nd half of 2012, which will translate into efficiency and profitability gains.

The Bank has one of the largest parks of selfbanking in Portugal, not only with an offer of ATM machines, but standing out of competition, particularly for its unique network of equipments only for clients, which provide distinctive services such as immediate issuance of checks and deposits of checks and cash. Millennium bcp ATM parks represents more than a third of smart automatic teller machines (ATMs) available on national territory, machines with technology that allows deposits with validation of bills and scanning images of checks, reflecting the effort of technological innovation and quality service to customers whether individuals or companies.

Remote Selfbanking

Millennium bcp ensures a rigorous management of its park of remote equipments placed outside branches, with objective to adjust supply to current market demand, with visible results in average usage, higher than the global ATM network, positively affecting the P&L accounts. Millennium bcp continues to invest on the safety of the ATM equipment and is a pioneer in the Portuguese market in the implementation of the security system for

ATMs, the Ink-Staining-System, as a measure to dissuade theft, distinguishing itself from other financial institutions in this aspect, and with positive results in the reduction of occurrences.

Point-of-Sale equipments

During the first semester of 2012, the Bank maintained its policy of constant search for solutions that reduce the cash payments and increase the use of electronic payments and in that context held various commercial actions for placement of POS equipment that led to an increase in capillarity of terminal for debit and credit cards.

Western Union

Millennium bcp continues to be relevant partner in the national market as a provider of Western Union money transfers. It is highlight the distinctive feature, compared to major competitors, of allowing Clients to make their transfers with all the convenience, security and without any additional price over the phone or internet.

Support to Retail commercial activity

With the objective of having a tighter commercial relationship with Clients, the Campaign Management and CRM unit continued to launch campaigns and targets through a multichannel multi subject strategy, so that it could keep a regular and proactive contact with Clients to offer them product and services solutions adapted to their profile. The Bank continued to take advantage of customer interactions with customized offers available on the internet, contact center and branches. These initiatives aim to increase the number of sales, grow customer funds, increase customer loyalty and satisfaction of customers, with relevant technical cost reduction.

On its process of continuous improvement e effectiveness of commercial campaigns, Millennium bcp started to consider a benchmark variable by product/distribution channel in the process of evaluating results of CRM actions.

Support to Contact and Daily Activity Management tool

The beginning of the year was marked by the implementation, in the Contact Center, of the new platform of handling and management Clients contacts. This platform was born with the creation of a single vision of service multichannel and cross network, replacing the existing Contact Center the Retail Branches platforms. This platform will be available in branches in 2013 and provides a single view of clients' contacts with the Bank through the Internet, Contact Centre and branches.

Direct Banking Department (DBD)

The activity of the Direct Banking Department in the 1st half of 2012 was directed to the continued delivery of an innovative service and quality products to customers who use the remote channels (Internet, telephone, mobile) and services (responding to complaints) for different interactions that Clients have with the Bank. This semester, innovation was present more significantly, as there were concluded major projects that began in 2011, what enhance solutions that allow distinguishing solutions and create value to Bank Clients.

These projects include:

- The implementation of the Platform for Multichannel Service, a solution that will provide the call center of a new technology and new better service for customers.
- Release of the new Individuals homebanking site, providing a set of new services, among which stand out the Personal Finance Manager and the new investments area.
- Continuity of the development of Mobile solutions, as in this period new facilities were developed and the service coverage of different platform have been improved.
- Finally, and in the area of Customer Care it is highlighted the area of complaints management, where were implemented mechanisms that allow prioritization which led to a more quickly respond to customers complaints.

Business Support Unit (DAR)

During the first semester of 2012 the Business Support Unit has provided business and operational support to commercial network facilitating and creating conditions for reach of Bank's strategic objectives for the current year. The focus was on growth of customer funds and obtaining companies' treasury, on the contribution to the repricing of loans and commissions and to increase cross-selling, especially of salary accounts.

The Bank implemented the new model of specialization of commercial network during the first semester of 2012 in order to tailor the service to the customer segment. This process was visible on a service and platform upgrade to more than 43,000 customers.

The Department of Residents Abroad helped promoting the uptake of about 423 million in remittances, 7% above same period last year, and the application rate of those remittances in Millennium bcp amounted to 25%. Were also acquired more than 1,380 new accounts of living abroad Clients (in line with the first half of 2011). To ensure greater proximity to non-residents customers was created a task force to update contacts.

ACTIVOBANK

In the 1st half of 2012, the bank remained focused on the strategic objectives of growing the its customer's base and increasing customer's involvement with the bank. Each of these two strategic objectives was developed according to the following vectors:

Attracting Customers

- Growth and consolidation of the business through the continued expansion of the bank's branch network;
- Strengthening the expansion of non-banking work force of recommendation ("Associates") and the approach to the Employees of the companies identified with the target of the Bank ("worksites");
- Launch of institutional communication campaigns and strengthening of the value proposition, along with the launch of new products and differentiated services.

Customer Loyalty

- Implementation of an model of binding and segmentation reinforcement, aimed at identifying and meeting the financial needs of customers;
- Launching new products in order to respond to a series of identified needs from its customers;
- Recovering the prominent and leadership position in providing online investment banking services.

To materialize the betting on the growth of customer base and respective involvement with the bank, there were developed in the 1st half of 2012 a set of initiatives, with emphasis on:

I. Growth and consolidation of the commercial network

In the 1st half of 2012, ActivoBank strengthened its presence with the opening of an Activo Point at Chiado (Lisbon), and another in North Shopping in Matosinhos.

More focus has been on the expansion of non-banking work force of recommendation, as well as strengthening the approach to the Employees of companies identified with the segment of the Bank, capitalizing in part on the expansion of the Activo Points at the national level.

II. Institutional communication campaigns and value proposition

The communications campaign to attract customers in radio, television (cable channels), Internet and movies, performed during the 1st half of 2012 at the 2nd anniversary of ActivoBank, focused on the competitive advantages that demarcate the ActivoBank from competition, allowing to obtain a enhanced brand awareness created conditions for a strong growth in new customers acquisition. The communication campaign developed under the motto: "Whenever we celebrate an anniversary the other banks look older", challenged the market for its irreverence, capturing the attention of the target audience. Additionally, at the end of 1st half, the conducting of a directed media campaign, promoting the new website of investments, along with a promotional offer related to the stock exchange, allowed the Bank to strengthen one of its main pillars on the market, the focus on investment services.

Also in the 1st half, increased advertising presence permanently on the Internet, especially through campaigns on Google and social networks, allowed to develop a channel to attract new customers lined up with the online behaviour of the target audience of ActivoBank, recurrent user of search engines like Google to search and compare different order financial solutions.

Simultaneously with the institutional communication, the Bank opted for the local regeneration of Activo Points, either through support to specific events in each city, as the association to TEDx Aveiro conference, or the partnership with restaurants held by different Activo points throughout the country, giving benefits to local clients of each of them.

III. Launching new products and services, binding and segmentation

By launching the Juntta, a crowdfunding platform (collaborative funding) to raise capital to initiatives of individual interests, the ActivoBank innovated in the domestic banking market. This service, along with the BOOST product launch, a current account with the already recognized advantages of ActivoBank plus a prepaid card and a program of benefits in more than 200 partners associated with extreme experiences, cultural events, restaurants and gyms, for customers aged between 18 and 30, allowed the Bank to support new ways to capture customers.

Simultaneously, the ActivoBank revamped its insurance, savings and investment offering in order to continue to meet the needs of customers. In this chapter, the implementation of Phase 1 of the CRM and segmentation model developed by the Bank, which aims at a first time cementing the relationship with their customers in the day-to-day perspective, and then focus on meeting the financial needs that arise throughout the lives of clients, represented another step towards ensuring a sustainable long-term involvement with the customer.

The set of actions taken, along with continuous bet on innovation, contributed to an increase of 29% of the customer base in the first half and also for the recognition of the Bank by the international financial community, expressed in the award "Best Commercial Bank in Portugal ", awarded by World Finance magazine (Banking Awards 2012).

The strategy in the 2nd half of 2012 is a strategy of continuity versus the 1st half of 2012 and will focus on attracting customers and increase their involvement with the Bank through actions such as:

- Launch of new solutions for housing and auto;
- Strengthening of investment solutions and relevant technical platform for trading in the futures market;
- Opening of the 15th Activo Point (branch open);
- Strengthening the expansion of non-banking work force of recommendation ("Associates") and the approach to the Employees of the companies identified with the target of the Bank;
- Continue to bet on the mobile channel;
- Further streamlining of operational processes ensuring excellence in customer service.

Profound changes in the economic, financial and regulatory environment should continue to contribute to improving the review of business models and the bank's geographic positioning in the 2nd half of 2012.

The main risks for the ActivoBank activity in the coming months are the following:

- Markets developments (with particular impact on the service to investors).
- Increased competition in terms of pricing. Additionally, due to this environment that has been going on for some time, the remaining players in the market, especially the larger ones, which traditionally have more difficulty in setting and implementing new strategies, may occupy the space currently operated by ActivoBank.
- Inertia and aversion to change by bank's customers.
- Excessive regulation of the market making supply less differentiated between banks (eg. the recent intervention by the Bank of Portugal in order to control interest rates on deposits).
- Emergence of new players from other sectors with less regulation compared to the banks, namely in financial products (eg. telecommunications).

COMPANIES

COMPANIES NETWORK

The economic developments in Portugal in the 1st half of 2012 continued to be strongly influenced by the implementation of measures contained in the Memorandum of Understanding signed in May 2011 between the Portuguese State and the ECB, the IMF and the European Commission. In a very adverse environment, characterized by strong instability in the Euro Area (with successive downward revisions of GDP growth estimates in Europe), significant reduction of the main GDP components (private and public consumption and investment) and financial institutions need of achieving the objectives in terms of deleveraging (Loans-to-deposit ratio of 120% by 2014) and capitalization (Core Tier I ratio of 9% until June 2012, according to the EBA methodology, and 10% by December 2012), Portuguese companies, especially SMEs, continued to be confronted with difficulties in selling their production and in accessing credit, resulting in a substantial increase in the number of insolvencies and unemployment. Noteworthy is the positive trend shown by exports (up 7.9% in the first quarter of 2012), with particular salience for the developments in exports to the outside the European Union (an increase of 31.9%), compared to a slowdown in exports to the Community area of 1.7%.

In this context the strategy developed by the Companies network in the 1st half of 2012 continued to be based on the following guidelines:

- Reduction of commercial gap, through a simultaneous action of credit deleveraging and growth in customer funds;
- Careful analysis of overdue loans, according to a perspective of default prevention and restructuring of existing operations;
- Optimization of risk weighted assets (RWAs), through a policy of renegotiating of collaterals associated to the operations with Customers;
- Maximizing profitability associated to the relationship with Customers, focusing on the adjustment of the pricing of loans to new Customers and economic conditions and creating solutions tailored to the needs of companies in terms of cash management (payments and collections).
- In the specific area of the specialized credit, the strategy for action centred on:
 - Leasing: selectivity in the implementation of new business operations based on small and medium-sized businesses and obtaining compensatory conditions, as well as in defining the appropriate pricing;
 - Factoring: priority solution in the replacement of financial credit for short-term commercial credit (allowing for increase in guarantees, increasing funds and strengthening the position of Millennium bcp as Customers' partner according to a treasury perspective).

Among the initiatives aimed at implementing the strategy, of particular note the following:

Segmentation

- Implementation of new segmentation rules (integrating companies with turnover of between 2.5 and 50 million euros) including Customers previously included in the Retail Network, aimed at fostering the creation of value through a more personalized approach.

Reduction in commercial gap

- Focus on customer funds increase, particularly in companies where there is more relationship in terms of credit;
- Selectivity in the granting of new credit (mainly to exporters), focusing on commercial credit (including factoring) and transforming short-term operations without a plan in the medium and long term, associated with a repayment plan.

Careful analysis of Overdue Loans

- Closely monitoring the companies activity in order to identify possible preventive signs of failure to avoid the occurrence of non-performing loans;
- Joint action of the Credit and Specialized Credit Departments (leasing and factoring) to develop solutions for corporate restructuring, in terms of partnerships with companies.
- Optimization of risk weighted assets (RWA)

- Analysis of Customers with the highest consumption of capital (the top 25 of each portfolio manager), aiming to identify opportunities for improvement in terms of renegotiation of collateral with customers and reclassification in the IT system;
- Betting on credit operations with mutual guarantees, especially credit lines (PME Crescimento).

Maximizing Customer Profitability

- Continuation of realignment spreads to changes in the risk of operations and financial market developments;
- Strengthening the paradigm of counterparts in the relationship with Customers, according to a perspective of transactions (payments and collections) through the Bank in addition to the support already made in terms of credit granted;

Regarding the Specialized Credit, it is worth mentioning the entry into the final stages of developing of a new IT platform for Factoring (scheduled for the beginning of second semester), allowing the reduction of operational risk and better management of overdue loans. Of particular note also the structural adjustment of the activity of Specialized Credit, resulting in the transfer of 22 employees, mainly for the areas of Credit Recovery.

In this period, the loan portfolio of leasing and ALD decreased by 15% in May, in line with the strategic guidelines. In factoring, there was a reduction in terms of turnover in June year-on-year (-17%) and net credit balance (-5%), with the commissioning going up by 9% over the same period.

With regard to initiatives undertaken by the Real Estate Department in the 1st half of 2012, it is worth mentioning the following:

- Real Estate Development: selectivity in the choice of companies and projects to finance and in management and monitoring appropriate to the risk and size of each project. The portfolio of credit to Real Estate Development at the end of the 1st half of 2012 amounted to 2.27 billion euros, which represents a decrease of 13.2% over the same period of 2011;
- Project Management: close monitoring of Customers and projects with significant Real Estate risk through the establishment of bank branches, assuming full management of the banking relationship of Customers, having at the end of the 1st half of 2012 356 customers under management totalling a credit exposure of 2.823 million euros;
- Property Management: adjustment of the organizational and functional structure, allowing greater control over the processes run, including a positive impact on monthly production volume of property transferred to sales and in the average length of property staying in the portfolio;
- Sales Management: implementation of various initiatives of national and regional scope in order to streamline and accelerate sales of property against the situation seen in the construction sector, resulting in an increase in sales of 59% over the same period of 2011. In addition to traditional mediation it took place in the 1st half four national auctions in Lisbon and Porto and two national campaigns open to all Real Estate Mediators Companies. During this period, through existing partnerships with the traditional mediators of the Bank, were held for the first time, real estate auctions in new areas of the country through the Month of Opportunities initiative, the Bank was present in different parts of the country, promoting debates at sector meetings, together with expert speakers, local and regional market players.

The greater involvement of Bank's branches with real estate agents allowed the property market in general started to identify the brand 'M Imóveis' with good business opportunities.

Regarding Interfundos, as at June 30, 2012, assets under management totalled 1.21 billion euros, which correspond to an increase of 9% over the same period last year. The Interfundos market share in the management of Private Subscription Closed Real Estate Investment Funds stood at 17.6% at the end of the first half of 2012 through the management of 48 real estate funds.

For the second half of the year, the guidelines for the Companies network activity consist in the continuation of the strategy that has been implemented since 2011, including:

- a) Permanent monitoring of loans, to develop mechanisms that allow for close monitoring of new operations in default entries, designed to resolve cases quickly and preventing the deterioration of the situation and consequent the increase in non-performing loans;
- b) Close monitoring of the commercial gap evolution, according to a balance between growth of customer funds (especially time deposits) and reduction of loans in particular short-term credit lines and loans to Customers whose relationship with the Bank is based only on credit;

c) Support to companies through commercial credit (factoring and commercial discount) and lines of credit (namely PME Crescimento lines and lines of support to tourism and agriculture sectors companies) for its potential in terms of optimization capital (given collateralization provided by Mutual Guarantee Societies);

d) Negotiation of counterparts with Customers, according to a global logic of partnership with companies, both in financing solutions and treasury (payments and collections);

e) Stimulation of the Trade Finance offer (eg. documentary credits and remittances) and insurance (eg. Work Accidents, Housing, Médis, Export), by the potential enhancing of Customers loyalty.

The continuation of the implementation of measures included in the Memorandum of Understanding signed by the Portuguese State and the instability in the European Union regarding the evolution of the Euro and the uncertainty about the situation in Greece, Spain and Italy are the main risk factors that influence the activity in 2nd half of 2012. The latest economic forecasts made by international bodies (OECD, IMF) do not predict the inflection of the declining trend which has characterized the Portuguese economy and Europe last year. The eventual adoption of new austerity measures in Portugal together with the need to maintain the policy of deleveraging by the generality of the banking sector (reducing the ability to grant credit), will also constrain the activity of the Companies network, which will remain focused on companies that can foster the diversification of its markets.

CORPORATE & INVESTMENT BANKING

Corporate Network

The performance of the Corporate network in the 1st half of 2012 will have to be analysed within a very difficult economic context, due to either the significant instability recorded in the European Union, with particular emphasis on euro zone countries, either to the recession experienced in Portugal as a result of the implementation of the measures included in the Memorandum of Understanding signed in May 2011 between the Portuguese and the ECB, the IMF and the European Commission. In this context, the main strategic vectors that guided the Corporate Network activity continued to be consistent with:

- Reducing the commercial gap, with a reduction of lending granted to certain sectors (including public sector and construction companies), and focus on a policy of increasing customer funds associated to the treasury management of companies;
- Permanently monitoring overdue loans, with close monitoring of companies' activity seeking a preventive action against signs of non performing on loans;
- Reduction of capital consumption, particularly through negotiation with the Customers of best solutions of credit operations collateralisation;
- Increase in profitability among customers, identifying business opportunities in terms of cash management (payments and collections) and continued the policy of adjusting the pricing of loans to the risk of Customers.

In order to achieve these strategic vectors a set of initiatives have been developed, most notably the following:

- Selectivity in granting new credit, intended primarily for companies with international operations in markets with sustainable growth (Poland, Brazil, China, Angola, Mozambique, Spain);
- Focus on a paradigm of management with business counterparts in order to capture their cash flow, especially in groups where the Bank has the largest share of credit;
- Identification of companies that show signs of difficulty in generating cash flows that allow to address the debt repayment, seeking to establish solutions for restructuring debt, avoiding the occurrence of non-performing loans;
- Increase of guarantees of loans, a continuous analysis of the adequacy of collateral to the risks of operations and to the evolution of corporate activity, enhancing the optimization of capital consumption;
- Continuation of the policy of adjusting credit spreads in order to reflect changes in risk of companies and reduction of possible exemptions in commissioning in order to maximize profitability.

In the 2nd half of 2012, the Corporate Network will continue to implement the strategic vectors defined above. In parallel, work will be developed to identify new business opportunities, particularly in the following areas:

- Development of business plan for addressing the Portuguese companies with a presence in international markets where the Bank is also present, including Poland, Angola, Mozambique, Brazil and China;

- Increased interconnection with the Investment Banking, enhancing joint business opportunities in areas such as advising on corporate restructuring and identifying new opportunities for acquisitions, debt or equity issuing, in Portugal and other geographies that present sustainable growth rates;
- Support for international business companies, capitalizing on the support provided by teams from the Millennium Trade Solutions experts.

The activity in the 2nd half of 2012 will naturally be marked by uncertainty that continues to characterize the European economy, which also includes the main destination markets of Portuguese exports (Spain, France, Germany), whose latest projections by the major international organizations (OECD, IMF) point to very weak GDP growth or even the maintenance of the recessive trend of previous quarters. In Portugal, the possible need to implement further austerity measures in order to meet the objectives for the public deficit set in the Memorandum of Understanding with international institutions represent also an additional risk factor in implementing the strategy.

Investment Banking

The Bank maintains a leading position in the Euronext stock exchange brokerage with a market share of 6.9%, representing a growth of approximately 1% year-on-year. Direct access to the trading room service (Personal Stock Broker) for Bank' networks Customers kept its previous growth trend. Despite the drop of almost 30% of average daily volume traded on the PSI-20 in the 1st half of 2012 compared to 2011, the area of Institutional Sales kept practically the same level of commissioning than last year, conducting this semester 14 roadshows of analysts and companies to national and international investors. The certificates product remained as an important vehicle for investment in shares for most Customers. During this period, there conducted financing transactions with equity swaps using blocks of shares in the amount of 100 million euros, corresponding to the roll-over of transactions made last year. These operations allow obtaining financing in international capital markets at attractive conditions. The hedging strategy previously defined of Spanish companies in sectors already covered by the shares research team remained and deepened, with the start of coverage of one more Spanish electricity company.

During the 1st half of 2012, the international debt markets remained closed for Portuguese issuers, which thus remained unable to access one of its most important sources of funding in recent years. Concomitantly, the deleveraging process, across the entire Portuguese financial system, constrained significantly new operations in the domestic market. Taking into account this framework and in the Portuguese market it deserves particular attention the commercial paper programme that the Bank led to Estoril Sol III (20 million euros) and the activation of a series of renovations within other programs. Corporate bonds issuing for the retail segment (small investors) remained very dynamic, and the Millennium investment banking jointly led the Public Offerings of subscription of EDP bonds (250 million euros) and Brisa Road Concessions bonds (225 million euros). Of particular note that, in May this year, the Bank has structured and set up two securitization transactions based on assets originated by Millennium Bank in Greece: the Kion Mortgages No. 3, which drew together the securitization of a portfolio of housing loans to individuals and the Kion SME No. 1, which involved a group of loans to companies. Both portfolios include securitized loans denominated in euros and Swiss francs. Also worthy of emphasis on the activity performed in setting up and placement of structured products, within the commercial effort directed at stable customer funds increasing, developed by the Retail and Private Banking networks. The total amount allotted was around 1.394 billion euros. Among the various structures, it has to be highlighted the Millennium Rendimento Já and the several series of Rendimento Extra, Plus and Especial.

Despite the difficulties related to the macro and microeconomic environment, continued in the 1st half of 2012, the positive results obtained with the sale of treasury products either in the cash component (foreign exchange spot and forward trading, short term borrowing and lending at fixed-rate) or regarding derivative component, interest rate hedging derivatives and exchange rates and commodities derivatives.

In corporate finance, the Bank participated in several important projects, most notably the financial advisor to the EDP in the operation of structuring and placement of a bond issue directed to the domestic retail. The Bank continued to develop several projects of assistance to Customers in the segment of mergers and acquisitions, and of note the participation as financial advisor on the sale of GSC Group Biovegetal, and the evaluation of the Iberian Dierre. Of note also that the Millennium investment banking has been mandated by Parública for the economic and financial assessment of the Shipyards of Viana do Castelo, in the process of privatization of this company.

In the 1st half of 2012, the Bank maintained an active role in the area of equity capital markets, most notably the mandate obtained for Global Joint Coordinator in the organization and setting up of the Brisa - Auto-roads of Portugal, SA Tender Offer announced by the Tagus Holdings S.a.r.l, a company owned by Grupo José de Mello and the Arcus Infrastructure Partners, as well as a mandate to Global Coordinator of the Fisipec - Synthetic Fibres de Portugal, S.A., Tender Offer announced by SGL Carbon Group .

International Department

The Global Transaction Banking focused its business strategy in attracting new lines and limits and in strengthening and maintaining existing activity performed in conjunction with the Treasury and Markets Department. In the 1st half of 2012, several meetings were held with the credit and risk areas of banks with which the Bank has business relations, with a focus on Europe, Africa, North and South America. This strategy was initiated in 2010 following the worsening of the Portuguese sovereign debt crisis, and has since then been one of the main lines of action.

Meetings were held with 168 counterparties and the counterparties' feedback on the quality of economic and financial information provided either on the Bank or on the country was very positive.

Efforts to make a difference in service, quality and range of products available were maintained, which was reflected in the following market shares: 39% of total assets under custody held by non-resident institutional investors (March 2012), 24% of the trade finance support for exports business and 25% of total commercial payments (June 2012).

In the 2nd half of 2012, plans to continue the promotion of the Bank, Group and the country, at the current and potential counterparties in order to diversify the Customer base and to ensure the successful in cross-border operations. The Bank will seek to held meetings with commercial banks, multilateral organizations and sovereign wealth funds in order to exploit new business opportunities, enhancing the relationship and trust in Millennium bcp.

The Millennium Trade Solutions mission is to implement the strategic option of the bank in supporting exports and internationalization of companies. To this end, strengthening the team of experts in trade finance and international markets was started during the 1st half of 2012 in order to meet fully the needs of its Customers seeking advice on the countries where they intend to install or on financial solutions more suitable for exports to a maximum level of safety and a minimum level of risk.

In a particularly adverse environment, companies are making a very positive response, widening the export base and diversifying export markets, where growth has resulted in exports to countries outside the European Union by 27%, especially the U.S., China and Angola. The International Department - Millennium Trade Solutions - is following this movement, supporting continuously about 5 thousand Customers, developing their specific knowledge of each market and continually improving its value proposition, either in terms of products and services, either in Customers support.

ASSET MANAGEMENT & PRIVATE BANKING

ASSET MANAGEMENT

Asset Management activity remained, during the first half of 2012, strongly influenced by the economic and financial environment, which continues to promote the readjustment of investment decisions by customers and investors in general.

In this framework, assets managed by the Asset Management business area decreased from 2.459 billion euros in June 2011 to 1.794 billion euros in June 2012, influenced mainly by the divestment of institutional customers, which exceeded 64% of the total and by the volatile and negative behavior of financial markets during this period.

Despite these impacts, the volume of net subscriptions registered by the Domestic Mutual Funds improved significantly, with an increase of 32%, approaching 50%, when deducted from the purchase of institutional investors. These especially affected Shares Funds, which have also excluding this impact posted also a positive increase in all classes of funds, with a special note to the Special Investment Funds (FEI) with positive net subscriptions in the period.

The Millennium Gestão de Activos (management company) recorded a market share in domestic Mutual Funds in terms of assets under management, of 7.62%, which compares with 9.23% in June 2011. Considering only the universe of harmonized funds, Millennium Gestão de Activos represented 14.52%, in line with June 2011.

By classes of funds, Millennium Gestão de Activos continued to be isolated leader in funds of funds, higher value-added segment with a share of 56.6%, higher than the 51.7% recorded in June 2011. It ranks second in floating rate bond funds, with a share of 31.5%. It also kept the second position in the shares funds, with a 20.3% market share, up from 20.2% in June 2011.

Regarding the performance of Millennium funds in the 1st half of 2012, the Millennium Gestão de Activos compared favorably with the competition in the domestic market, being demonstrated its competitive advantage. Monthly and in average, seven funds have occupied the top 3 places in the national ranking of one year returns, by classes, published by the Portuguese Association of Investment Funds, Pensions and Wealth (APFIPP), with particular emphasis on the three funds of funds, consistently in the top positions since the beginning of the year, as well as the European shares fund Millennium Eurocarteira.

In terms of restructuring the supply of investment funds of Millennium Gestão de Activos, was completed in February the settlement of the Millennium Monetário Semestral FEI, with a view to protecting the interests of investors, taking into account the size of the fund and the small number of participants.

The climate of risk aversion on the part of customers continued to prevail in the 1st half of 2012, which resulted in the option for reduced volatility investments, reducing the investment term and almost immediate availability of cash. In addition, the commercial networks - Retail and Private Banking - remained the focus on balance customer funds increase.

With this environment, the previous strategy of fostering the placement of investment funds Millennium was followed: in the 2nd and 3rd commercial cycles of the Retail network, the money funds Millennium Liquidez and Millennium Extra Tesouraria III (FEI) which have contributed to the goal of net growth in funds. During the semester, the first mentioned fund accumulated positive net subscriptions of approximately 3.4 million euros and the second mentioned fund of about 5.6 million. The Millennium Extra Tesouraria III FEI, proved to be the best money fund of the market in terms of 1 year profitability in 4 months in a row since March - considering the funds existing in comparable classes of euro money market funds and the short term monetary FEIs.

These funds managed by Millennium Gestão de Activos will meet the needs of customers with a conservative profile seeking low risk, providing solutions with minimum investment very affordable, allow them to benefit from more favorable rates of return on their small savings, by aggregation effect.

With regard to real estate funds managed by Millenniumbcp Gestão de Activos they amounted to 375 million euros, which represent a decrease of 2.6% over June 2011. This activity continued strongly affected by the economic and financial environment, particularly by the contraction of private and public consumption and degradation of business activity and as a result the reduction of liquidity.

The majority of companies and retailers during 2011 and early 2012, have sought to optimize costs by renegotiating rents, reducing the occupied area or even the relocation. There has, however, a significant increase in vacancy rate and level of failure as a result of breakage of revenue to the extent that it becomes unsustainable the viability of many companies.

At the end of June 2012, the global net volume of funds under management of Real Estate Open Investment Funds (FI Open) was 3.959 billion, which represents a reduction of 11.8% compared to June 2011. This results

mainly from the increase in the number of redemptions, particularly from the retail customers. The situation, without consideration for the sale of assets, led the majority of FII Open to a significant increase in indebtedness.

As a result of the factors mentioned above, the return of most of the FII Open has seen a sharp decline, as shows the evolution of the Portuguese Association of Investment Funds, Pensions and Wealth index for the FII Open, which fell from 2.76% in June 2011 to 1.59% in June 2012.

The Open Fund Portfólio Imobiliário, even following the market trend, kept a net return above the market, increasing from 2.92% in the same period a year earlier to 2.10% in June 2012.

For the Fund Imopromoção, real estate closed fund, whose investment policy is geared towards the development of real estate projects, especial note to the developments at the project level of Meia Praia in Lagos, whose construction permit must be achieved in the coming months. On the other hand it is worth mentioning the architectural project of Block D. John I, in Porto, in partnership with the Portfólio Imobiliário Fund, which is ongoing the final stage of the process of expropriation, sponsored by the Oporto Urban Rehabilitation Society.

The Millennium Sicav, fund domiciled in Luxembourg, was particularly struck by the reduction in investment of institutional clients, and your assets decreased from 256 million euros in the same period of the previous year to 66 million euros in the first half of 2012.

The area of Discretionary Individual Portfolio Management, reduced its turnover, with assets under management reached 504 million euros, compared with 635 million euros in the same period last year. This performance reflects primarily the behavior of financial markets. As a result of migration of the computer system in this area and the focus given to control costs in most business areas, the area of Asset Management shows a decrease which reaches 16% at the level of Operating Costs, and that most households presents savings.

It is expected for the 2nd half of 2012 the widening of the range of investment funds offered by Millennium Gestão de Activos that would satisfy investors demand for products of low volatility and risk in order to promote savings in times of austerity, as well as solutions of safe haven for some specific sectors and geographies. Under discretionary management, and after completion of migration of customers between networks, it will be continued the strategy of promoting business.

PRIVATE BANKING

Within the 1st half of 2012 activity it is worth mentioning a set of initiatives that enabled to monitor more closely and serve better the Bank's Customers. Taking advantage of the open architecture business model, the Private Banking network has been resized, extending the value proposition to a broader base of Customers, with a profile suitable for this business model. So the team has been strengthened in the commercial area and it was created a new space for tracking Customers in the centre of Braga, with the objective of boosting Private Banking business in the Minho region.

During the 1st half of 2012 it was launched a specific site available for the Private Banking integrated in the Millennium bcp web site, customized and with differentiated access to Private Banking Customers. Through this specific site real-time access to the Customer's assets was become possible and to perform various operations in a simple, fast and convenient way.

In the current macroeconomic environment, high market volatility and uncertainty and moderate economic growth, the model of the Private Banking advisory continued to follow very closely the needs of its Customers.

In terms of investment, the team of Investment Specialists maintained permanent monitoring and close connection with Customers. The portfolio performance continued to be positive because its management policy favoured the diversification of investments, opting for portfolios exposed to different asset classes and in different currencies.

In the 2nd half of 2012, the Millennium bcp Private Banking will continue to invest in a set of initiatives to strengthen its market positioning and value proposition consisting essentially in:

- Streamlining the business in order to strengthen the supply of products with higher added value;
- Careful monitoring of the Customers' investment portfolios, according to a logic of favouring assets preservation;
- Search for the permanent improvement of Customer service, aiming to increase cross selling and assets under management, taking advantage of strengthening the Customer base;
- Continued effort to attract new Customers and to increase the relationship and share of wallet of existing Customers.

FOREIGN BUSINESS

EUROPEAN BUSINESS

Poland

Bank Millennium is a nationwide bank offering, together with its subsidiary companies, a wide range of financial products and services to individuals and companies. Leveraging on a modern network of 449 retail branches - one of the largest in Poland - Bank Millennium is one of the main players in the local market, with a leading position in retail banking, supported by an efficient sales industrialization platform and by the high awareness of the Millennium brand.

The Group's operations are carried out based on several business lines, providing customized products and services directed to the following market segments:

- Retail Customers - The segment covers activities aimed at Individual Customers, Affluent Customers, Small Businesses and Individual Entrepreneurs. The activities of these business lines are developed using the full range of products and banking services and the sale of specialized products offered by some subsidiaries of the Group. In terms of credit the main drivers of the portfolio growth are mortgage loans, consumer loans, credit cards and leasing for small businesses. The main customer funds products include: current accounts, savings accounts, term deposits, investment funds and structured notes. The offer is enriched with *bancassurance* products, primarily linked with loans and credit cards as well as specialized savings products. The offer for Affluent Customers has been enhanced with selected third-party investment funds.
- Corporate Banking - The segment is based on the activities addressed to the SME, Medium and Large Corporates. The offer is also addressed to Customers from public sector and public entities. Business activities in the segment are conducted based on high quality corporate banking products (investment loans, working capital loans, current accounts, term deposits), accompanied by an offer in the field of cash management, treasury, leasing and factoring.
- Investment Banking and Treasury - This segment includes Group's activity in proprietary trading, brokerage, interbank market operations and debt securities that are not assigned to other segments. This segment also includes assets and liabilities associated with hedging derivatives and the deferred tax assets not allocated to business segments.

Since 2009, Bank Millennium has been implementing a strategy which was built based on the following assumptions: i) strengthening the banking business based on the retail branches; ii) focusing on SMEs to exploit the potential of higher profitability in this segment; iii) achieve higher productivity and strict cost management; and iv) enforcing more conservative risk management.

The strategy was successfully continued in the 1st half of 2012, allowing the bank to remain on a track of sustained business growth. Retail Banking and SME remain main areas of bank's interests. The bank's business strategy concentrates on growing customer base, business volumes and profitability, while keeping the quality of services and Customers' satisfaction at high levels, allowing bank to create and strengthen long-term relationship with Customers. This approach brought visible effects in 1st half of 2012 reflected in strong increase of new Customers, new current accounts, sale of retail loans and investment funds, as well as strengthening bank's position in leasing, factoring and trade finance services for corporate Customers.

All initiatives undertaken by the bank in the last 6 months were implemented without increasing operating costs. Very cautious cost management was adopted in order to achieve a cost-to-income ratio below 60%. Bank Millennium supports its business strategy by prudent liquidity management, conservative risk approach and sound capital base.

Bank Millennium continued The Quality Project as one of strategic initiatives with the goal to improve Customers satisfaction and an ambition to become a market leader in customer service. The Project concentrates on 4 main areas: Employees (knowledge, skills and behaviour); Servicing model (servicing standards and products standardized sales models); Processes (processing gaps elimination) and Quality monitoring system. The Project operates within 5 Programs concentrated on different areas: Program for branches, Program for Call Center, Program for Internet, Program for Claims and Program for HQ.

First results of the Project became already visible, as Bank Millennium won some awards for the quality standards in 2011 (from Newsweek, Forbes and jakoscobstugi.pl). The bank also follows very high standards in the areas of corporate governance, investor relations and responsible activities towards environment, society and its own staff. This was proved by the fact that Bank Millennium has qualified again to the RESPECT Index - created by the Warsaw Stock Exchange the first index of socially responsible companies in the CEE region.

Bank Millennium - Poland

Million euros

	1H 2012	1H 2011	Change % 12/11	1H 2011	Change % 12/11
				excluding FX effect	
Total assets	12,123	12,114	0.1%	11,377	6.6%
Loans to customers (gross)	10,012	9,982	0.3%	9,374	6.8%
Loans to customers (net)	9,710	9,672	0.4%	9,083	6.9%
Customer funds	10,581	10,269	3.0%	9,644	9.7%
Of which: on Balance Sheet	9,490	9,239	2.7%	8,677	9.4%
off Balance Sheet	1,091	1,029	5.9%	967	12.8%
Shareholders' equity	1,096	1,036	5.7%	973	12.6%
Net interest income	139.7	137.3	1.7%	129.0	8.3%
Other net income	85.7	93.0	-7.8%	87.4	-1.9%
Operating costs	132.7	140.2	-5.3%	131.6	0.8%
Impairment and provisions	26.5	20.3	30.2%	19.1	38.7%
Net income	52.5	54.7	-4.0%	51.3	2.2%
Number of customers (thousands)	1,198	1,146	4.5%		
Employees (number)	6,159	6,107	0.9%		
Branches (number)	449	451	-0.4%		
Market capitalisation	1,054	1,642	-35.8%	1,542	-31.7%
% of share capital held	65.5%	65.5%			
Source: Bank Millennium					
FX rates:					
Balance Sheet 1 euro =	4.2488	3.9903	zloties		
Profit and Loss Account 1 euro =	4.21610833	3.959375	zloties		

Net income in the 1st half of 2012 amounted to 52.5 euros (221.2 million zlotys), which represents an increase of 4% in euros and 2% year-on-year in zloties. ROE stood at 9.7%, influenced by higher equity base due to retention of the whole net profit of 2011. Cost-to-income ratio improved versus last year and reached the level of 59.1%. Cost of risk was at a level of 55 bps over total net loans and there was an improvement in asset quality. Solvency ratio stood at 12.7% and Core Tier 1 ratio at 11.2% as at the end of June 2012.

Main risks for the 2nd half of 2012 are related to the probable slowdown in the Polish economy which may result in higher cost of risk. Nevertheless Poland should remain in the 2nd half of 2012 one of the best performing countries in Europe with real GDP growth around 3%. The other major risk factor relates with volatile and uncertain situation in the international financial markets. In such an environment bank will carry out prudent liquidity management and build some additional funding buffers even if this has some negative impact on net interest margin.

Greece

Millennium bank operates in Greece since 2000 focusing on retail banking, but also offering a full range of universal financial services to affluent and business Customers through a single multi-segment network. The customer base of Millennium Bank exceeds 583 thousand Customers (corresponding to more than 6.5% of the financially active population in Greece), who are served through the bank's unified network of 120 branches that are located throughout the whole Greek territory.

The ongoing recession of the Greek economy for the 5th year in a row and the negative consequences from the debt crisis strongly affect the operating results and Greek banks' equity. Deposits outflows have been significant, forcing banks to rely on ECB funding and emergency liquidity assistance from the Greek Central Bank. The weak macro outlook has led to NPL deterioration and consequent higher provisioning charges, combined with the insufficient capitalization after Greek banks' participation in the private sector involvement plan (PSI) and the capital requirements of the new regulatory framework.

Millennium bank's activity main guidelines during the 1st half of 2012 were the efforts to attract deposits, to control credit delinquency and to improve efficiency, all to be continued during the 2nd half of the year.

Millennium bank - Greece		Million euros	
	1H 2012	1H 2011	Change % 12/11
Total assets	5,232	6,754	-22.5%
Loans to customers (gross)	4,803	5,032	-4.5%
Loans to customers (net)	4,530	4,879	-7.1%
Customer funds	2,658	2,858	-7.0%
Of which: on Balance Sheet	2,622	2,789	-6.0%
off Balance Sheet	36	70	-47.9%
Shareholders' equity	262	363	-27.7%
Net interest income	10.0	56.8	-82.5%
Other net income	31.2	15.2	105.4%
Operating costs	49.2	58.4	-15.7%
Impairment and provisions	71.7	29.1	146.1%
Net income	-52.2	-8.7	-498.1%
Number of customers (thousands)	583	572	2.0%
Employees (number)	1,195	1,439	-17.0%
Branches (number)	120	154	-22.1%
% of share capital held	100%	100%	

(*) The values presented exclude third parties investment funds.

Total assets of the Group amounted to 5,232 million euros as at 30 June 2012, recording a decrease of 22.5% compared to the same period last year, mainly due to lower interbank funding, PSI impact and loan deleveraging. Net loans and advances to customers reached 4,530 million euros recording a decrease of 7.1% compared to June 2011. Customers' deposits amounted to 2,622 million euros and decreased by 6.0% compared to June 2011, a modest decrease compared to the shrinking of customers' deposits in Greek market by 16% (est.) for June 2012. It should be noted that the reduction in Millennium bank's deposits reflects mainly the effect of the electoral period (May 6 and June 17 elections) that led to heightened sovereign risk and political uncertainty. Since June's elections most of deposits withdrawals, during the electoral period, have been regained by the bank, leading to a substantial increase of 8.8% in the first 15 days of July compared to the end of June 2012.

Net operating income amounted to 41.2 million euros, a decrease of 42.9% compared to the same period in 2011. This decrease is mainly attributable to lower net interest income, which was strongly affected by the higher cost of funds (including deposits) compared to the previous year.

Total operating expenses reached 49.2 million euros, recording a decrease of 15.7% compared to the previous year, following cost containment measures, which included the voluntary exit program and a decrease of 35 branches.

Operating profit (before provisions and impairments) amounted to -8.1 million euros, while at the same period of 2011 reached 13.6 million euros. Provisions at the 1st half of 2012 reached 71.7 million euros compared to 29.1 million euros in the 1st half of 2011, as a result of the adverse economic conditions.

In spite of substantial reduction in operational expenses, increased funding costs and higher bad debt provisions burdened the results of the bank in the 1st half of 2012, that registered a loss of 52.2 million euros compared with loss of 8.7 million euros in the 1st half of 2011.

In 2012 the bank continued to adjust rapidly to increasing market uncertainty, focusing on four major strategic pillars:

Capital: reinforce the bank's capital base in order to comply with the new minimum capital requirements. It should be noted that the bank concluded in December 2011 a 105 million euros capital increase.

Liquidity: The bank took several actions in order to protect its deposit base, even in a context of major deposits outflows from the system. Therefore, deposits market share increased by 25 bps in May 2012 to 1.5%, compared with the same period in the previous year. On the loan side, credit portfolio decreased by 229 million euros from June 2011, reducing the bank's structural funding needs.

Nonperforming loans: During the 1st half of 2012, the bank continued to improve risk management and risk control processes in order to curb the increase of non-performing loans. Millennium's NPL ratio was more than 550 bps lower than the market estimate for June 2012, which reflects the higher quality of Millennium bank's portfolio and the soundness of its credit management and credit control processes.

Efficiency: Millennium bank concluded in December 2011 a restructuring plan in order to achieve cost optimization through rationalization measures. New cost optimization measures launched in 1st half of 2012 including re-negotiation of rents with suppliers, organizational design improvement, implementation of scale economies to reduce back office costs (ie cash management process, e-statement service, insurance cost reduction), maintenance cost and business outsourcing. The above measures are estimated to have a positive impact on cost to income ratio, in annual base, by more than 360 bps.

On the commercial front, the bank focused on increasing customer deposits in order to further enhance the bank's deposits base, as well as on re-pricing efforts and commission-bearing products.

Millennium bank launched a new saving product in June, the first in the Greek market and with optimum timing aiming to acquire new customers and funds. The savings account "Tora NAI!" offered a high interest rate of 5% for deposits higher than 10 thousand euros, as well as money availability any time, without restrictions or requirements

Mainly targeting prestige customers, Millennium bank launched an innovative product, which uniquely combines pension, investment and insurance. Starting from 30 thousand euros, "Life Advantage" provides life-long pension and life insurance, as well as participation in investment portfolios from the following fund management companies: BlackRock, Franklin Templeton, J.P.Morgan, Schroders and Millennium.

With the aim to increase fees and traffic in the branches, electricity bill payments as well as bills of another 138 companies are now feasible through Millennium bank. Customers and non-customers can now pay their bill through Millennium branches branch, whereas Customers can also perform this transaction through E-banking and Contact Center.

Millennium bank provides increased security to credit card holders, by launching the "SMS Alert Service". Millennium bank credit cardholders can register to the service of SMS Alerts, and receive a transaction confirmation, through an SMS message, at the time they make a purchase or a cash withdrawal. This new service will give the bank the opportunity not only to increase commissions, but also to reduce costs, since it is an important fraud-preventive tool.

Millennium bank launched "Synergatis payroll", a new product targeting small companies' payrolls. Any company with at least two employees, and with a *bancassurance* product, can have a significant fees' reduction in a series of frequent companies' transactions.

During the 1st half of 2012, various types of time deposits were launched with different features in order to correspond to bank's and customers' needs. Aiming to:

- The extension of the Time Deposit portfolio, Millennium bank offered upon renewals, the new Time Deposit "Epilogi", an 18 month product which allows customer to liquidate part or all of his capital without penalty.
- New funds acquisition at a comparatively low cost, a new 6 month step-up Time Deposit was launched, called "Alma is triploun". Customers were offered attractive interest rates with the option to liquidate without redemption every month.
- New funds acquisition in USD, "Spread your Dollars" deposit product was launched, offering a very attractive interest rate indexed to a 3-month Libor plus a fixed spread.

Since December 2011, Millennium bank customers have access to their accounts, through Mobile Banking. The new service allows a wide range of transactions, such as credit card payments, money transfers and bills' payments. Smart phone owners additionally have the option to quickly connect to mobile banking by photographing a QR Code.

Switzerland

Millennium bcp Banque Privée, set up in Switzerland in 2003, is a Private Banking platform which provides services such discretionary, advisory and execution services to Group Customers of high net worth.

The 1st half of 2012, was marked by the slipover effects to the world economy from the ongoing European Sovereign debt crisis. As a matter of fact, after widespread market optimism in the beginning of the year, markets retracted expressing their uncertainty with the deepening of the EU crises and signs of a slowdown in worldwide GDP. This retrenchment impacted adversely Customers' risk appetite leading them to overweight their cash positions.

Under this environment the bank pursued its main strategic guidelines, namely:

Deleveraging the credit portfolio - The bank continued its portfolio deleveraging strategy diminishing further its credit risks exposure by reducing the credits at risks transactions and granting new loans collateralized by well diversified and liquid assets. The credit portfolio decreased by 47% y-o-y and by -29% since the beginning of the year.

Initiate the coverage of the African Markets - The bank started to cover the Angolan, Mozambique and RSA high net worth Customers with asset acquisition growing above expectations.

Reduce the Funding Needs from the Group and increase solvency. The deleveraging strategy pursued also allowed the bank to substantially reduce its funding needs and concentrate on its operating activities. It is also important to stress the bank's high financial solvency, embodied in a Core Tier I ratio of 53% in June as well as strong liquidity ratios at the end of June 2012.

Millennium Banque Privée		Million euros			
	1H 2012	1H 2011	Change % 12/11	1H 2011	Change % 12/11
				excluding FX effect	
Total assets	493	679	-27.4%	681	-27.6%
Loans to customers (gross)	287	537	-46.5%	539	-46.7%
Loans to customers (net)	257	506	-49.2%	507	-49.3%
Customer funds	2,061	2,426	-15.1%	2,435	-15.3%
Of which: on Balance Sheet	284	203	40.0%	203	39.5%
Assets under management	1,777	2,224	-20.1%	2,231	-20.3%
Shareholders' equity	97	112	-13.8%	112	-14.1%
Net interest income	3.4	4.7	-28.9%	5.0	-32.8%
Other net income	8.0	8.3	-3.5%	8.8	-8.7%
Operating costs	9.6	8.7	9.7%	9.2	3.8%
Impairment and provisions	-0.1	-1.9	94.8%	-2.0	95.0%
Net income	1.4	4.7	-69.5%	5.0	-71.1%
Number of customers (thousands)	2	2	20.7%		
Employees (number)	73	71	2.8%		
Branches (number)	1	1	0.0%		
% of share capital held	100%	100%			
FX rates:					
Balance Sheet 1 euro =	1.203	1.2071	swiss francs		
Profit and Loss Account 1 euro =	1.2035167	1.27265	swiss francs		

Under a difficult environment the bank as reported a decrease of Assets under Management (AUM) by -2.8%, in Suisse francs in comparison with December 2011. The asset acquisition efforts of the bank did not performed as expected, although having had no net asset outflow, the positive contributions of the African Market, TPM desks did not offset AUM outflows registered in Portugal, Poland and Brazil.

The strong reduction in credit with the respective drop of net interest income (-29% y-o-y) and high level of cash in Customers' accounts that generated subdued transactional levels the bank recorded, during 2012, a reduction of 13% in net operating income with net profit decreasing from 4.7 million euros registered in June 2011 to 1.4 million euros in June 2012.

During the 2nd half of 2012, the bank will be focus in its core offer of personalised and quality services to its Customers, backed by an irrevocable commitment to risk management and an efficient IT platform. In order to mitigate the current adverse scenario, the bank will be focused on the following initiatives:

Maintain a commercial focus to strengthen the trust of our Clients and ensure a growth in AUM;

Strengthen the commercial activity in the markets that are in an economic cycle opposite to the European such as, Africa and Brazil;

Maintain the Focus in the servicing of Third Party Managers;

Fine tune cost and revenues to improve profitability;

Further strengthening the quality of the credit book.

Millennium Banque Privée believes that its principles and values coupled with its commercial dynamism will enable to, despite the current environment, create value for its Customers and shareholder.

Romania

Millennium Bank, greenfield operation launched in Romania in October 2007, is a nation-wide bank offering a wide range of innovative financial products and services to Individuals and Companies, leveraged by a network of 65 Retail branches, covering main Romanian cities. The bank has currently 668 employees and 33,736 Customers.

In the 1st half of 2012, Millennium bank in Romania pursued the business strategy approved in the beginning of the year, which main pillars consist in enhancing the Retail Customer acquisition model and focus on target products and segments, boost the corporate business by developing global banking relationships with Small and Medium sized companies, improve efficiency levels and keep a conservative risk management and capital approach.

The banking sector in Romania remained very fragmented in the first half of 2012 with more than 40 players in the sector, most of them with less than 1% market share. The level of competitiveness remained very high, particularly on the liabilities side, following the decision of most of the parent companies of local players to stop providing funding to their Romanian subsidiaries. On the assets side, the demand for loans was limited by Romanian's economy technical recession and by the restrictions introduced by NBR regarding mortgage loans in foreign currency and consumer loans in general. It is also worth mentioning that following the several recommendations of the regulator and the lack of additional funding in foreign currency, there is a trend of shifting the lending activity into local currency, which is more visible on the corporate side. The slower growth of business volumes together with the decrease in the Euribor and the increase in the cost of funding, leads to a decrease in the net interest margin. On the other hand, the decrease in the economic activity contributes to increase impairment charges. This combination is likely to drive down returns on equity and make it increasingly difficult for the banks in the system to return to the performance levels seen prior to the financial crisis.

On the Retail front, Millennium bank in Romania set up a dedicated sales force aimed at accelerating the pace of Customer acquisition by establishing salary account conventions with companies. Initially the sales force is covering the area of Bucharest and later is to be expanded to the remaining areas of the country where there is market potential. Having in mind the limited capillarity of the branch network, Millennium bank is developing distinctive features in its internet platform, aiming at using it as a channel to attract new Customers. In this framework, the bank just concluded an agreement with an experienced local provider which consists, among other aspects, in developing interactive micro-sites to promote the bank and its products and services in the on-line market. In what regards loans, the bank kept focused on granting mortgage-backed loans while carefully re-entered the cash loans market with an offer only in local currency and limited to clients with good payment behaviour or with its salary domiciled in the bank. Focus on Corporate Business was also a priority for the bank in order to achieve a constant and sustainable growth of volumes and profitability. Along with the growth and diversification of the loan portfolio, Millennium bank dedicated particular attention to the increase of its share in current accounts and the revenues coming from transactional banking, namely transfers and foreign currency operations. The bank also put in place several actions aimed at expanding the trade finance business. Having in mind the deterioration of the deposits spreads, due to the unavailability of alternative sources of funding, the corporate sales force dedicating particular attention to the re-pricing of the loan portfolio along with the increase of the share of loans denominated in local currency in order to minimize the needs of funding in foreign currency. The bank continued its permanent efforts to improve the levels of efficiency by successfully renegotiating several outsourcing contracts and streamlining key business processes. In order to move the organization towards the implementation of these initiatives, the bank launched the M-Team project which comprised 3 streams: Retail banking, Corporate banking and efficiency improvements, each one sponsored by a member of the Executive Committee. The conservative risk management continued being a key element of the bank's strategy. On what regard credit risk, the bank kept a quite conservative underwriting policy while strived to improve the efficiency of the recovery efforts both in retail and corporate. In this framework it is worth mentioning the sale of a portfolio on unsecured non-performing loans with a nominal amount of 20 million euros.

Millennium bank - Romania				Million euros	
	1H 2012	1H 2011	Change % 12/11	1H 2011	Change % 12/11
				excluding FX effect	
Total assets	561	517	8.5%	493	13.8%
Loans to customers (gross)	406	357	13.7%	341	19.2%
Loans to customers (net)	375	312	20.4%	297	26.3%
Customer funds	299	248	20.4%	237	26.3%
Of which: on Balance Sheet	299	248	20.4%	237	26.3%
Shareholders' equity	96	95	0.3%	91	5.2%
Net interest income	6.7	10.2	-34.5%	9.7	-31.0%
Other net income	3.8	4.4	-14.5%	4.2	-10.1%
Operating costs	16.7	20.7	-19.0%	19.6	-14.8%
Impairment and provisions	1.4	5.9	-77.1%	5.6	-75.9%
Net income	-6.5	-10.1	35.2%	-9.6	31.8%
Number of customers (thousands)	34	30	12.5%		
Employees (number)	668	691	-3.3%		
Branches (number)	65	66	-1.5%		
% of share capital held	100%	100%			
FX rates:					
Balance Sheet 1 euro =	4.4513	4.244	new romanian leus		
Profit and Loss Account 1 euro =	4.3918917	4.17400833	new romanian leus		

The success in the control of operating costs, which decreased for the 3rd year on a row, and the significant decrease in the cost of risk allowed the bank to improve significantly its financial result. The performance on the revenues side was relatively modest, being conditioned by the still low pace of customer acquisition which conditioned the growth of business volumes and cross-selling revenues, in spite of the positive impacts from the reduction of the cost of deposits and the re-pricing of the corporate loan portfolio. In any case Millennium bank was able to continue growing its market share on loans, particularly in mortgage loans, which is clearly above the natural share of the bank. The credit quality indicators significantly improved in comparison to previous year, partially due to the above-mentioned sale transaction.

The bank keeps presenting solid capital indicators with a solvency ratio that is clearly above the average of the system and the average of the bank's peer group, being simultaneously quite above the level recommended by the regulator. Concerning liquidity, the bank continues enjoying a comfortable situation, reinforced by the extension of the 150 million euros medium-term loan and the increase of the stand-by credit facility to 75 million euros provided by the parent company. When analyzing the 1st half of 2012, one should highlight as well the reduction of the share of loans in foreign currency from 89% to 85%.

Looking ahead to the remaining of 2012, the outlook remains balanced between some encouraging signs of progress and reminders that the fundamental challenges facing the global economy and Europe, in particular, remain present. In this context, Millennium bank is well prepared both to overpass the coming challenges and to take advantage of the market opportunities. In the 2nd half of 2012 the bank will be focused in improving the execution of the actions included in the strategy recently approved, namely in what regards accelerating Customer acquisition and business growth, while improving profitability on a sustainable way towards break even. Naturally, the bank will maintain strict vigilance over costs, credit quality and efficiency of recovery efforts due to its impact in the results.

BUSINESS IN PORTUGUESE-SPEAKING AFRICA

Mozambique

During the 1st semester of 2012, Millennium bim, with 147 branches spread across the country (126 in June 2011), consolidated its leadership position in the banking sector of Mozambique. In addition to the largest network of branches, the bank has the largest ATM and POS park, 363 and 3,403, respectively, being the largest employer and largest taxpayer in the Mozambican financial sector.

In terms of competitive environment, there continues to be strong pressure on the customer funds acquisition with negative impact on funding costs. On the other hand, the change that took place in the monetary policy followed by the bank of Mozambique, through successive cuts in its reference rates, has affected negatively on banks' net interest margins.

Despite the conservative credit granting policy followed by the bank, Millennium bim has undertaken initiatives that enabled it to maintain market share, but without neglecting the protection of bank's net interest margin and credit quality, focusing on short-term operations, with low risk and collateral reinforcement. In parallel, and in pursuing its business strategy, the bank has been focusing efforts on increasing customer funds, thereby strengthening their liquidity levels.

In 2012 the bank launched a whole new value proposition for the Prestige segment, with renewed commercial branches and with teams oriented and trained to present a range of innovative products and services and to fully meet the financial needs of Customers. The Prestige offering, designed for Private Customers, Companies and Entrepreneurs, reinforces, in a sustained manner, the bank's leadership position, while allowing increased market share and improved Customer and Employees satisfaction levels.

In terms of products and services, the bank increased and improved its offer with new proposals aiming to meet the expectations and demands of the market and at the same time, enhancing its profitability. Among others, it is worth mentioning the following:

- Time deposits PPS (Health Savings Plan) - intended for Individuals Customers, consisting of a product with complete flexibility, which allows Customers to make savings through scheduled monthly and occasional reinforcements for a period of 365 days, renewable. The 1st PPS Account Holder also benefits from a Personal Accident Insurance to cover medical expenses, Permanent Disability or Death and Funeral expenses and may conduct two tests of malaria each year.
- Release of Cheques Cruzados - seeking to meet demand, and complement the provision of Products and Services, Cheques Cruzados were created for the Individuals Customers and Companies.

The market came to recognize and reward the value proposition presented by the Millennium bim, through adherence to and trust in their products and services, as evidenced by increased Customer base that exceeded 1.107 million Customers, representing a growth of over 83 thousand Customers in 6 months (+14.2% yoy).

The awards and distinctions received by the bank are a national and international recognition of the effort undertaken by the bank in the country, consisting in a permanent commitment to innovation and financial results, being worth mentioning the awards for (i) "Best Banking Group" by the World Finance, (ii) "Best Bank in Mozambique" by Global Finance, (iii) "Best Bank of the Year in Mozambique" by Intercontinental Finance Magazine, and (iv) "International Award for quality - Gold Category" by Business Initiative Directions.

Consolidated net income amounted to 1.67 billion Metical, equivalent to 46.1 million euros as at June 30, 2012. Net interest income stood at 2.62 billion Metical and banking income at 4.03 billions (a decrease of MZN 13 million year-on-year). Return on equity (ROE) stood at 30.2%. These results led to a strengthening of the solvency ratio to 24.5% (18.5% in June 2011).

Millennium bim's subsidiary, Seguradora Internacional de Moçambique, has maintained its leadership position in the insurance market, with a growth in processed revenue of 13% which stood at 753 million of Metical, equivalent to 20.85 million euros. Net profit stood at 226 million Metical (6.2 million euros), representing a growth of 36% yoy.

Millennium bim believes that the social function is a fundamental component of its mission, contributing to its Employees valuation and reflects in the social responsibility to the community in which it operates and to which it belongs. Since its inception in 2006, the social responsibility program "More Mozambique for Me" has developed and promoted a diverse and recognized set of actions with a special focus in the areas of sport, education and culture, not forgetting to include other social components as Health and Community Intervention.

Millennium bim - Mozambique				Million euros	
	1H 2012	1H 2011	Change % 12/11	1H 2011	Change % 12/11
				excluding FX effect	
Total assets	1,876	1,440	30.3%	1,656	13.3%
Loans to customers (gross)	1,037	913	13.6%	1,050	-1.2%
Loans to customers (net)	959	856	12.0%	984	-2.6%
Customer funds	1,404	1,094	28.4%	1,258	11.6%
Of which: on Balance Sheet	1,404	1,094	28.4%	1,258	11.6%
Shareholders' equity	325	225	44.4%	259	25.6%
Net interest income	72.4	65.7	10.1%	79.9	-9.4%
Other net income	40.0	26.3	52.0%	32.0	25.0%
Operating costs	47.8	34.6	38.2%	42.0	13.6%
Impairment and provisions	7.9	5.8	36.4%	7.0	12.1%
Net income	46.1	41.9	10.0%	51.0	-9.5%
Number of customers (thousands)	1,107	969	14.2%		
Employees (number)	2,507	2,179	15.1%		
Branches (number)	147	126	16.7%		
% of share capital held	66.7%	66.7%			
FX rates:					
Balance Sheet 1 euro =	35.425	40.740	meticaïs		
Profit and Loss Account 1 euro =	36.15	43.95541667	meticaïs		

Angola

Banco Millennium Angola, S.A. (BMA) was formed in April 5, 2006, by transformation of the branch of Banco Comercial Português, S.A., into a bank incorporated under the Angolan law. BMA aims to contribute to the modernization and development of the financial system in Angola, through the commercialization of innovative products and services designed to meet the needs and expectations of different market segments, with high standards of quality and specialization.

The management of risks inherent to the development of banking activity in Angola continues to be closely followed by the Supervisor. In May, the National Bank of Angola (BNA) created the Financial Stability Committee - COMEF, which is an advisory body to the Board of Directors in the field of financial stability, supporting the definition of guidelines and strategies for mitigation of systemic risk, as well as promoting the adoption of macro-prudential policies in conjunction with other supervisory authorities of the National Financial System.

During the first semester of 2012, BNA has developed several policy initiatives, which are highlighted as follows:

- With the objective to promote efficiency and transparency in the provision of payment services, and contribute to increasing the confidence of users of the Payment System in Angola, the BNA has issued rules to establish deadlines for the execution of transfers and remittances as well as the availability of funds to the recipient as a result of deposits of cash and checks, transfers or remittances;
- In the field of foreign exchange market, issued two notices, which set the rules and procedures governing the conduct of foreign exchange operations, intended either for the payment of import, export and reexport of goods in Angola, for the activities of prospecting, exploration, appraisal, development and production of crude oil and natural gas.
- In relation to Money Laundering combat and Terrorism Financing, BNA regulated the conditions under which the obligations of the Act, particularly the obligations of identification and investigation, established a system of money laundering prevention and terrorist financing, including the creation of the Compliance Officer in the organizational structure of banking and non-bank institutions.

For 2012, BMA established as main strategic guidelines, business growth, including the enlargement of Customer base, strengthening its position in the market (through increased customer funds acquisition in each business segment) and increased product penetration among Customers. To achieve this goal it proposes to extend its distribution network, with national coverage in order to gain greater capillarity, and ensure a service of excellence.

During the 1st half of 2012, BMA has opened four new branches and created a new business center designed for the Oil Industry, having reached a total of 65 branches at the end of June in the retail network, of which 32 are open Saturday mornings, and 6 Business Centres. The number of active Customers rose to 190,003 in June 2012, registering a growth of 60% over the same period last year.

Regarding the launch of products and services during the 1st half of 2012, BMA launched the DP Net, an online three months term deposit, aimed at increasing the number of Internet Banking' users, and Diamond Deposit (180 days term deposit), with applications in USD and attractive interest rates. The bank has also begun to issue electronic statements for current accounts of portfolio managed Customers. Furthermore, in the month of April, BMA launched a campaign to attract new customers, based on the member get member mechanism. The campaign will be active until the end of August.

Noteworthy is the presence of the BMA in the second edition of the International Fair of Benguela (FIB), the second largest business event in Angola, which took place between 16 and 20 May, and the signing, on 5 June, of a memorandum of understanding with the Ministries of Economy and Finance under the program "Angola Investe" (agreement aimed at stimulating domestic entrepreneurs through subsidy interest rate granted to Micro, Small and Medium Enterprises, included in a global funding line of 1.5 billion dollars allocated between the 19 banks operating in the market).

BMA elected as a critical priority to maintain a proper relationship between the amounts of Own Funds and the risk levels that the Bank incurs in the normal development of its business.

Throughout the 1st half of 2012, BMA has maintained the activities related to the promotion and implementation of risk policies, namely the anticipation, measurement, control and monitoring of the various risk components resulting from business growth, as well as, the respective report.

BMA continues to invest in the hiring of Angolan employees, having been present at the Elite Angolan Careers recruitment fairs that took place in Lisbon and Luanda, and made presentations to students of major universities in Angola. At the end of June 2012, the BMA's staff consisted of 934 employees, which represents an increase of 158 employees compared to June 2011. Development of employees skills continues to be one of the priorities of BMA. During the 1st half of 2012, there were 68 training actions in which 721 employees were involved.

In the field of social responsibility, Banco Millennium Angola granted a donation in the amount of 4,188,627 kwanzas to the Foundation Women Against Breast Cancer, as a result of deposits taken under the Women's Savings Plan, in which for each 1,000 USD deposited, the bank allocated 10 USD to donate to the Foundation. It also sponsored the VIII Meeting of the Entrepreneur Woman and the lunch event with businessmen organized by the Associação Industrial Portuguesa - Feiras, Congressos e Eventos (AIP - FCE) within the visit to Angola of the Portuguese Minister of Agriculture, Sea, Environment and Territorial Planning.

As at June 30, 2012, total assets of the BMA totaled 1,429 million euros, an increase of 24% over the 1st half of 2011. The portfolio of Customer Funds increased by about 25%, totaling 872 million euros and gross loans to customers amounted to 533 million euros, representing a 15% increase over June 2011.

With regards to credit quality indicators, it should be noted that the overdue loans ratio by more than 90 days stood at 3.3% in June 2012 (2.2% in June 2011) and the overdue loans, over 90 days impairment coverage ratio stood at 152.1% in June 2012 (231.9% in June 2011).

Net income amounted to 17.3 million euros, which represents an increase of 15% over the same period the previous year, due to the increase in the Net Operating Income and to impairment reduction.

Net operating income increased 16% over June 2011 to a value of 60.4 million euros, with the main contributions resulting from the positive evolution in net interest income and commissions, which grew 12% and 27%, respectively.

Return on Equity (ROE) stood at 18.3% and the efficiency ratio at 59.3% (53.1% in June 2011).

In the 2nd half of 2012, BMA will follow its expansion plan, with plans to open 17 branches by the end of the year.

In relation to the regulatory environment, and as provided in Notice No. 04/2011 of Banco Nacional de Angola, Angolans banks face a huge challenge in the 2nd half of 2012: the conversion into local currency or closure, by the end of the year 2012, of all short-term products in foreign currency contracted before June 30, 2011 and that have successive renewals. The stress on the implementation of appropriate processes for managing and monitoring various risks continues to be a main focus in the strategic initiatives of the bank for 2012.

Millennium Angola

Million euros

	1H 2012	1H 2011	Change % 12/11	1H 2011	Change % 12/11
				excluding FX effect	
Total assets	1,429	1,153	24.0%	1,289	10.9%
Loans to customers (gross)	533	465	14.7%	519	2.6%
Loans to customers (net)	506	441	14.7%	493	2.6%
Customer funds	872	699	24.7%	781	11.6%
Of which: on Balance Sheet	872	699	24.7%	781	11.6%
Shareholders' equity	209	150	39.0%	168	24.3%
Net interest income	34.6	31.1	11.5%	32.9	5.2%
Other net income	25.8	21.2	21.7%	22.5	14.8%
Operating costs	35.8	27.7	29.3%	29.4	21.9%
Impairment and provisions	3.7	7.4	-50.3%	7.8	-53.1%
Net income	17.3	15.1	15.0%	16.0	8.5%
Number of customers (thousands)	190	119	60.2%		
Employees (number)	934	776	20.4%		
Branches (number)	65	44	47.7%		
% of share capital held	50.1%	52.7%			
FX rates:					
Balance Sheet 1 euro =	120.86	135.12	kwanzas		
Profit and Loss Account 1 euro =	124.60583	132.11	kwanzas		

OTHER INTERNATIONAL BUSINESS

Macao

The presence of Millennium bcp in the East goes back to 1993, however, it was only in 2010 that the first branch with a full license (on-shore) was inaugurated in Macao, aimed at the establishment of an international platform for business operations between the strategic lozenge between geographies of affinity, namely Europe, Brazil, China and Portuguese-speaking Africa.

The cooperation agreements signed with the Canton Business Association and Canton Municipal Finance Bureau allow the Macao branch, closely linked to the representative office in Guangzhou, to explore business opportunities between the affinity geographies the all the region of the delta of river of pearls, central economic hub of southern China.

It should also be noted that the Macao branch offers to its Customers operations and services in Renminbi (CNY), thereby strengthening the support to exporting companies in carrying out foreign trade operations in that currency.

To complete the Millennium bcp's offering in this region, it was launched and promoted the new remittance service to China, resulting from the memorandum of understanding signed with the ICBC Macao, a subsidiary of Industrial and Commercial Bank of China. This partnership aims at strengthening cooperation in multiple areas, between the largest Chinese bank and the largest Portuguese private bank.

In the 1st half of 2012, customer deposits increased significantly over the same period of the last year to 1.4 billion euros, with loan portfolio registering a similar evolution, reaching one billion euros, with the transformation ratio to stand at 71%.

For 2012, taking into account the strategic agenda of Millennium bcp, which aimed at strengthening relations with the affinity geographies - China, Portuguese-speaking Africa, Brazil -, the Macao branch plays a crucial role as a centre for international business, supporting both Portuguese companies wishing to develop business in Macao and China, and Chinese companies that develop business in the Portuguese-speaking geographies in which the Millennium bcp is present. In parallel, the Branch will continue its customer funds acquisition activity for Institutional and Companies Customers in Macao, in order to increase the on balance sheet customer funds of local origin.

The activity of the branch in the 2nd half of 2012 will remain oriented to the development of the services offering to Customers of Millennium bcp networks in the scope of the China - Macao - Portuguese-speaking countries business platform, with a particular focus on the support of Portuguese companies that turn to these geographies. Significant branch activity risks are not anticipated, although the entire frame is strongly dependent on the evolution of the Chinese economy and its implications on the performance of the Macao economy.

Cayman Islands

Millennium bcp Bank & Trust, with its head office in the Cayman Islands and a "B" category banking license, offers international banking services to Customers who are not resident in Portugal. The Cayman Islands are considered to be a cooperative jurisdiction by the Bank of Portugal.

The evolution of the turnover recorded in the 1st half of 2012 essentially results from the reduction of loans and advances as a consequence of the pursuit of objectives to reduce the Group's consolidated commercial gap. The net income for the 1st half of 2012 was 5.4 million euros.

Millennium bcp Bank & Trust

Million euros

	1H 2012	1H 2011	Change % 12/11
Total assets	2,866	3,585	-20.1%
Loans to customers (gross)	260	305	-14.8%
Loans to customers (net)	258	304	-15.1%
Customer funds	813	1,054	-22.9%
Of which: on Balance Sheet	799	1,037	-22.9%
off Balance Sheet	14	18	-21.6%
Shareholders' equity	280	257	9.0%
Net interest income	7.3	3.0	143.7%
Other net income	-0.5	0.0	-2,756.3%
Operating costs	1.6	1.4	7.7%
Impairment and provisions	-0.1	-5.2	97.7%
Net income	5.4	6.8	-20.0%
Number of customers (thousands)	1	1	-24.6%
Employees (number)	18	19	-5.3%
Branches (number)	1	1	0.0%
% of share capital held	100.0%	100.0%	

Brazil

On 7 September 2011, BCP informed the market on the signing of a partnership agreement with Banco Privado Atlântico, S.A. for the constitution of a bank in Brazil, with a view to exploring opportunities in the Brazilian market, namely in the areas of corporate finance and trade finance, through partnerships.

BANKING SERVICES

The Departments covering the area of Banking Services - IT Department, Administrative and Logistics Department, Operations Department, Credit Department, Retail Recovery Department, Prevention and Security Office, Litigation and Quality Department - monitor the activity of the major areas of support to the front-end services of the Bank, through the fundamental search for mechanisms and processes to increase efficiency, cut costs, and improve the business processes and monitoring of the management structure of processes implemented at the Bank. These goals form part of the strategic guidelines established for the Group and contribute to meeting the Group's profitability and growth targets. The main areas of action in the Banking Services areas involved the austere management of new investments, operating costs and implementation of measures designed to improve the service levels of the main processes of relevance to commercial activity.

In the first semester of 2012, the careful cost management enabled achieving the extremely restrictive budget targets. The total operating costs of all the Banking Services Departments fell by 6.1% in relation to the same period of previous year, in spite of the significant increase derived from the effort relative to loan recovery. The volume of investments increases by 16% relative to 2011 and fell by 35% in relation to the budget.

The number of Employees of the Banking Services areas increases of 104 Employees, corresponding now to a total of 1,934 Employees, reflecting the increases in the Retail Recovery Department.

Measurement and active management of the service levels of the various processes supporting commercial activity continued to underlie the definition of the main performance indicators of the more operational areas. There was ongoing improvement of the thresholds achieved, reflected in the continued increase of the degree of internal Customer satisfaction, with very positive impacts on the service quality provided to the Group's Customers and perceived by the External Customers.

The main initiatives of a strategic nature included, in particular, the special focus on the control of costs and investments, continuous technological support to innovative value proposals, renewal of the ATM and CAT network, optimisation of the management of operating risk, consolidation of the organisational model of credit risk management so as to best meet the requirements of the IRB application, and specialisation of the loan recovery function in the Retail, Companies and Corporate segments.

INFORMATION AND TECHNOLOGY DEPARTMENT

Continuing the process of continuous improvement of operational and applicational efficiency, service levels, cost optimization and adaptation to business requirements in opportune time, the IT Department has been pursuing, since the beginning of 2012, a set of structuring projects in several areas included in its scope of action.

As such, the plan underlying the activity developed by the IT Department during this period, in alignment with the reference framework defined by the Bank, concentrated on 6 critical areas of action, namely i) Promoting business development; ii) Adequate solutions to the operative model and partnerships; iii) Management of IT costs; iv) Internal processes, risk and compliance; v) Sustainability and social responsibility; and vi) Employee mobilisation and development.

The first, "Promoting business development", covers a significant number of new programmes, many of them a result of the M Project, among them it is worth mentioning the implementation of the new Customer segmentation, offsets management, the upgrade of the individuals homebanking, in line with the adaptations and improvements that are result of the changes made to the strategy and commercial approach, as well as the New platform of multichannel customer service (PAM). Additional reference to the iPAC - Platform of customer relationship management, whose upgrade to the version 3.0 is under development.

With regard to the second area of action, "Adequate solutions to the operative model and partnerships", there are several ongoing activities related to the development of applications, especially the SWOC application, regarding credit operations, the new integrated loan recovery solution (SIRC), the new collateral management front-end (XGAR) and the new Factoring project that aims to create a new application to support this business. Other significant improvements in the management information are also part of the scope of this area of action, namely the new commercial proactivity dashboard and the system that determines customer risk grade (SAGR).

In the context of the third strategic area, focused on ensuring "Management of IT costs", it was signed a new communications contract, a technological renew is ongoing, as well as the IT Costing 2012 Project, which is assessing the contracts related to the IT department with the goal of identifying cost reduction opportunities. These actions have been contributing, along with other initiatives, to the cost and investment reduction and optimization efforts. With regard to the fourth area, "Internal processes, risk and compliance", it was concluded the first stage of the phased delivery of the new multidomestic compliance solution - Actimize, anti-money laundering (AML) and market abuse prevention software (MAD). "Sustainability and social responsibility", area which is our fifth priority, is addressed by the "Green IT" programme, whose scope has been extended, integrating now three key issues. The first one related to the Communication plan, a second one that involves specific actions towards the reduction of energy consumption, printings, and CO2 emissions that, focusing on continuously providing IT services, aims to distinguish technological projects which contribute to decrease the bank's ecological footprint. In this context, it is worth to mention the technical implementation of Verdiem, a solution that, in the short term, will enable the adoption of energy consumption management policies regarding the workplace.

Finally, and concerning the sixth guideline defined for 2012 there was, as in the past, a significant effort put in the "Mobilisation and development of the bank's Employees", embodied in another training plan under the "IT Academy", with the objective of ensuring the acquisition and updating of technical and behavioural skills, as well as consolidating the flow of internal communication, supported by the IT Portal (IT Workspace).

2012, a year when the financial sector has been facing new challenges in an economic framework which, as it was expected, is turning out to be extremely adverse, the IT Department continues to focus its resources on the achievement of the major strategic guidelines defined by the Bank in order to, thanks to its Employees, to consolidate and deepen the lines of action included within its functional sphere. Furthermore, the ID Department will remain dedicated to the continuous search for the solutions which best meet Customer requirements and needs, developed at the lowest cost and integrated in an overall offer characterised by innovation, always with the distinctive mark and factor of differentiation of the value proposition in the markets in which it operates.

OPERATIONS DEPARTMENT

In line with the bank's strategy of simplification and cost reduction, the Operations Department has been implementing, in 2012, the "Rething D.O." programme, focused on increasing agility and efficiency, improving effectiveness and operational risk. In the first half of 2012, it was implemented the new organizational structure, now more focused on supporting loan recovery and the specialized business, maintaining quality and service levels in all processes, with a special focus on supporting the distribution network. Other initiatives, like the schedule flexibilization in specific teams and the internalization of processes previously provided by outsourcers, also contributed to increase efficiency and, at the same time, reduce costs related to the main

outsourcing contracts. In the second half of 2012, the focus will be directed to consolidate internal reorganization and implement the “Rething D.O.” initiatives related to employees, like improving and developing the skills of team leaders or increasing employee mobility, as well as continuing the cost reduction efforts.

CREDIT DEPARTMENT

In line with the established planning, the main goal for the first half of 2012 was to strengthen the resources and tools used to monitor the loan portfolio, including all the Customer segments and distribution networks. It is aimed to the timely detection of situations of default and taking of the appropriate measures of prevention, namely regarding loan restructuring and reinforcing collaterals. The obtained results were very positive and this will continue to be the main priority of Credit Department for 2012. The credit analysis and decision maintained the guidelines of being strict in approving credit, embodying the new strategy of containment and considering as well the great risks under the current conjuncture. The number of credit operations analysed and decided established, inverting the decreasing trend of the previous periods. This fact was very much connected to the effort in monitoring the loan portfolio. With regard to the organizational model, there were taken measures to simplify and increase efficiency of the department. As a consequence, the Corporate and Small Corporate analysis units were merged, with expected positive effects on the service levels and in the monitoring of Companies. Moreover, it was transferred the credit analysis and decision provenient from the Retail Recovery Department, to the Credit Department. It was centralized in the Credit Department the decisions pay-no-pay of the affluent segment Customers. Until this change, only mass market Customers' pay-no-pay decisions were centralized, therefore significant improvement of the decision quality and in this process is expected. It is being evaluated whether it is a sounding decision to extend this concept to more Retail banking segments.

RETAIL RECOVERY DEPARTMENT

The degradation of the economic context in Portugal, in the first half of 2012, had a significant impact on the non-performing loans. In the context, the Retail Recovery Department reassessed and adjusted its operating model, aligning it with the adjustments introduced in the Retail network as a consequence of the M Project (project aiming to reformulate the bank's business model). It was also changed the name to Retail Recovery Department. The main adjustments to the business model were made through improvements in the four stages of the process:

Prevention: with the revision of the credit normalization monitoring model (MARC) and its monitoring, making this stage more relevant, since it precedes potential overdue loans.

Collection: with the reinforcement of the responsibilities to the Retail distribution network, this last one monitors Customers overdue loans until the 45th day, in order to ensure greater proximity to these Customers and supported by a complete and flexible range of restructuring products.

Recovery: to manage overdue loans between 45 and 120 days, 27 Recovery Centers were created, 15 of them located outside of Lisbon and Oporto, in order to keep greater proximity to the Customer and customized solutions.

Judicial reorganization: with the duplication of the department structure and concentration of all the components of this recovery stage, like the order for payment, batch execution, judicial execution and external recovery, aiming to provide the recovery structure with the most specialized skills in this area, in order to significantly improve efficiency in judicial reorganization.

This adjustment to the business model also extend to the recovery support areas, namely the integration of the Prevention and Credit decision unit in the Credit Department and the transfer of responsibilities from the Recovery support unit to the Operations department, in order to take advantage of the competences the bank already holds and assure that the Retail Recovery Department is more focused on loan recovering. In the second half it is expected to be implemented two other strategic projects: Customer segmentation with the implementation of predictive models in the collection and recovery processes (roll models), adjusting recovery strategies in function of the Customer score, estimated to September 2012, and the launch of new application to support the recovery process end-to-end, also known as Credit recovery integrated solution (SIRC), expected to be available by October 2012.

SPECIALISED RECOVERY DEPARTMENT

The Specialized recovery department ensures the monitoring of high risk Customers, with expected or effective overdue loans, transferred from the Companies, Corporate, Private and Retail (only Customers declared bankrupt), in line with methodologies adequate to the segments and to the Customer situation, in order to minimize the economic loss risk to the bank.

In order to respond adequately to the current challenges that the market presents and in order to improve the intervention capacity, in the beginning of the first half it was implemented a new commercial management model, turning the Specialized Recovery Department in business area, responsible for all the Customer relationship management, and consequent changes in its structure and organization, namely with a significant reinforcement of resources and valences. The insolvency team were also reinforced and segmented, in order to ensure a better and more efficient monitoring of Customer overdue loans. It was continued the implementation of a set of initiatives and projects related to the operating efficiency and information system improvement.

In the second half of 2012, the department main goal, along with the consolidation of the organizational and structural changes recently implemented, maintain the strategic priority of prevention and loan recovery.

LITIGATION DEPARTMENT

During the first half of 2012, there was an increase of credit amount received for judicial reorganization by 50%. The loan recovery made in the first half amounted to 60% of the annual budget. The recovery strategy for 2012 is based on two strategic goals: profit increase and cost reduction. With regard to profits it is worth to mention the focus in the loan recovery through extra judicial agreements, whenever it is possible, and the agilization of the process of selling seized assets, as a way of anticipate collection and avoid the long time spent in court. With regard to costs, its especially worth mentioning the continuous success rate of 90% in suits against the bank, in which the bank is becoming more cost efficient, with the significant reduction in compensations to third parties and operating costs related to external lawyers through the increasing use of internal lawyers, with significant value added in recovery processes with greater banking technicality. The main constraints in achieving the established goals as to do with the increasing number of insolvencies, with longer waiting time in courts and with the economy recovery policies.

ADMINISTRATIVE AND LOGISTICS DEPARTMENT

The Administrative and Logistics Department is divided in four areas: Administrative and Procurement Department; Works Management and Maintenance Department; Procurement Department, Insurance Management Unit and Artistic Patrimony Management Unit.

In the Administrative and Procurement Department, and with the objective of cost control/reduction and protection of the environment, the area continued its work of improving the internal mail circuit, managing the vehicle fleet more efficiently, decreasing the volume of written communications in paper, liberating space and controlling and rationalizing general internal expenses. All these actions were carried out without lowering the overall quality of performance and will be continued in the second half of 2012, with special efforts in order to adequate actions to the current economic and business conjuncture. In the same regard, and having present equally sustainability and environmental protection goals, it will continue to be developed a set of actions, in collaboration with the Marketing department and the Commercial networks, aiming to reinforce the usage of remote communication means by the greatest number of entities as possible, whether they are Customers or other entities.

With the same goal of rationalizing the areas occupied by the bank and reduziing the activity costs, it was created a team to renegotiate rents that achieved significant results which will be reflect in the future in the income statement.

During the first half of 2012 the Works Management and Maintenance Department activity was focused equally in rationalizing and reducing costs, maintenance and in the search of new ways of reducing cost in several ways, namely in energy consumption.

The Procurement Department focused its action in renegotiating the main current contracts, namely in some IT and communication areas. This will continue to be its main priority for the coming months, along with reformulation of procedures associated to procurement activities and contractual negotiation, which are intended to become more objective and simpler.

The Insurance Management Unit, in line with its main goal of achieving sustained cost reduction, implemented a negotial strategy during the first half focused on all products, obtaining global discounts in all the renewed contracts, without exception, allowing that the cost reduction achieved may be greater than forecasted in the budget.

The area also undertook the reorganization of the available space and tools for the administrative management of the bank's Artistic Patrimony, having collaborated permanently with the Millenniumbcp Foundation in most of the promoted action, whether it was related to art or social responsibility.

PREVENTION AND SAFETY OFFICE

Under the activity of the Business Continuity Unit, it was strengthened infrastructures and the conditions from using alternative spaces for the Units which operate critical business processes, whether in hot sites, like Trading Rooms and International Department, or in warm sites. The migration of the operative system to Windows 7 allowed an increase in the efficiency of availability and usage of workplace in alternative locations.

The accomplishment of the bianual programme of business continuity exercises 2012-2013, approved in the first half of 2012, will allow to test the adequacy of alternative infrastructures subject of strengthening and continue the goal of training all the business recovery areas and teams until the end of 2013, as well as validate the crisis management methodology, strengthening this way the bank's responsiveness to serious incidents.

QUALITY DEPARTMENT

In order to ensure the excellence of our Customer service, it was undertaken a pilot project to evaluate the Customer experience in some interactions with the bank. These surveys based in new technologies (e-mail, SMS, telemarketing), rather than the traditional paper backed surveys, allowed to identify, in a faster and cheaper way, our strengths and weaknesses, in order to trigger the right actions.

In the first half of 2012, it was introduced a Net Promoter Score (NPS) in order to monitor the Customer intention of recommendation. This indicator reflects a percentage of Customers that are effectively loyal to the bank - the Promoters, in contrast to less loyal Customers (Detractors), and establishing several benchmarks both internally and with other institutions/markets.

In the first half of 2012 it was substantially reduced the percentage of Customers targeted with paper backed surveys. Approximately 23% of Customers started to be invited to fill internet-based surveys, with positive impact in terms of sustainability and cost reduction.

In the process management of the first half of 2012, it was directed to the improvement of unified model created in 2011, having been given priority to continuous monitoring and integrating business, performance and risk indicators, and strategic processes in order to achieve the establish goals for the current year.

CORPORATE AREAS

The Corporate Areas include the Compliance Office, the Planning and Budget Control Department, the Research Office, the Strategic Projects Centre, the Management Information Department, the Accounting and Consolidation Department, the Investor Relations Department, the Audit Department, the Legal Department, the Tax Advisory Department, the General Secretariat, the Millennium bcp Foundation, the Communication Department, the Company Secretariat, the Foreign Business Support Unit, the Staff Management Support Department, the Risk Office, the Rating Department, the Financial Holdings Department and the Assets and Liabilities Management Department.

During 2011, the activity of the Corporate Areas remained focused on initiatives regarding Employee management, support to strategy development, strengthening of discipline in risk and capital management, simplification of the Bank and improved efficiency.

COMPLIANCE OFFICE

The Compliance Office has adjusted its action to the new regulatory requirements and growing demands on the part of the organisation, with its action in product creation and alteration having been important in ensuring compliance with the principles and rules regarding transparency, veracity and balance in conformity with the regulatory principles in force. Special note should also be made of the monitoring and control of the action of the sales networks, regarding money laundering and the financing of terrorism, as well as action on matters of prevention of market abuse and preventing the use of the bank for other illicit purposes. The process of integration of the principles and rules of the compliance function by the entire organisation continuous to be a fundamental objective for the current year, therefore the actions that will be undertaken aim to achieve this goal. The exogenous constraints imposed by the new legislation and regulatory framework that characterize the biennium of 2010-2011 and internal constraints, namely the risks associated to the deterioration of the economic activity in general, imply new monitoring and control demands and consequent extension of Compliance Office intervention regarding new transactions and business areas. In the coming semester, it is expected constraints that are a consequence of new rules to be adopted, not only in terms of internal control and corporate governance, but also related to the different organization of the supervision authorities with impact in the kind of demands made to the organization and especially to the functions of the control areas that will increasingly trend to be the main relationship managers. This new context represents, this way, an additional challenge to the Compliance Office that will force it to be flexible in or order to ensure respond to such changes, now only in terms of involvement in technology development programmes, but also in training in order to be able to respond to new solicitations.

PLANNING AND BUDGET CONTROL DEPARTMENT

In the first half 2012, the Planning and Budget Control Department (DPCO) ensured the duties to provide information and periodic reporting to the supervisory authorities, disclosure to the market and support to the governing bodies, namely preparing the documents for the Audit and Executive Committees and Executive Board meetings. DPCO coordinated and/or participated in the set of activities, in collaboration with other bank Organic Units (UOs) and/or external entities, among them it should be noted i) the liability management operations and the issuance of subordinated debt hybrid instruments qualified as Core Tier 1 capital; ii) the periodic revisions of the “Liquidity and Capital Plan 2012-2016” of the Group, as well in the execution of the stress tests promoted by the National and European supervisory entities (EBA); and iii) the development of the “Capitalization Plan” reported to the Bank of Portugal in due time and approved by the General Shareholders’ Meeting held in June 25th 2012.

Under the strategic agenda defined for the Group, the Planning and Budget Control Department participated in the monitoring and strict control of operating costs and definition of the Key Performance Indicators (KPIs) for 2012, as well as in the strategic planning process for 2013 and forecasts until 2016, including the preparation of the individual budgets of the subsidiary companies and the Group’s consolidated budget for 2013, including the preparation of the individual operating costs and investments budgets, along with the participation in the process that will lead to increase the bank’s capital expected to take place in the third quarter of 2012.

RESEARCH OFFICE

The Research Office ensured compliance with the periodic duties of reporting to the Bank as a public company, prepared the different meetings and conference calls with the rating agencies, simultaneously coordinating the response to their occasional requests for information. It also ensured several Due Diligence activities in the context of the upgrade of the bank’s debt issuance programmes and other related to securitization operations. In the first half of 2012, the activity involved strategic projects reporting, renewing external entities services,

the collaboration with CEMS MIM of Nova School of Business and Economics, the realization of the annual edition of the workshop “Mil Ideias”, the development of the annual report regarding the activities related to the Sustainability Director Plan, a response to Corporate Responsibility Analysts and the competition analysis and benchmarking. In the scope of the Memorandum of Economic and Financial Policies, the Research Office developed upgrades to the Capital and Liquidity Plans and participated in the stress tests. It undertook an Viability Study in accordance with a communication to the European Commission 2009/C 195/04, and a Capital Plan in accordance with European Banking Authority’s recommendation EBA/REC/2011/1. Additionally it undertook the Recapitalization Plan in order to comply with the Recapitalization law 63-A/2008 and the Ordinance 150-A/2012. The Research Office ensured also the monitoring and analysis of the economic context and of the financial systems, meeting several bank’s Customers through the request of Commercial areas, including, Private Banking, the Stock Market Department, Companies and Retail Networks. It continued the monitoring and collaboration with the APB in the context of the public inquiries regarding to the process of reformulating the financial regulatory framework and supervisory organization.

MANAGEMENT INFORMATION DEPARTMENT

The strategic objectives of the Management Information Department (DIG) in the first half of 2012 involved control of the commercial liquidity gap of the Networks, decomposition of the domestic financial margin by segment and continuation of the monitoring of the repricing of the Networks, namely in the savings accounts.

The Management Information Department was entrusted with the responsibility for explaining and decomposing, by segment, the evolution of the domestic financial margin and, from the same model, by its projections in the following months. From this model, we should point out the business strengths and weaknesses and identify potential ways of improving financial margin.

This model will be the basis for part of the commercial business in elaborating the Capital and Liquidity Plan and to elaborate the commercial budget for the coming year of 2013.

In 2012, the Management Information Department will have to adjust management information to the needs arising from the implementation of the “Project M”.

ACCOUNTING AND CONSOLIDATION DEPARTMENT

During 2012, the Accounting and Consolidation Department pursues its mission to prepare the individual and Consolidated Financial Statements of the BCP Group, always with the objective of presenting a true and appropriate reflection of the entire Group in accordance with the Adjusted Accounting Standards (NCA), as determined by the Bank of Portugal, and International Financial Reporting Standards (IFRS), adopted in the European Union.

With regard to the activity developed by the Accounting and Consolidation Department during the first half of 2012, special mention should be made of the continued implementation/fine-tuning of control mechanisms with a view to improving the quality and accuracy of the accounting information, the development of ratios/indicators/warnings for a better analysis and reporting of accounting information and follow-up of legal alterations, both relative to accounting and tax, of impact on the Group.

AUDIT DEPARTMENT

The Audit Department develops its mission according to the adoption of the internationally recognized and accepted internal audit principles, emitting recommendations based on the outcome of the evaluations performed in order to add value to the organization and improve operations control and quality, contributing to the achieving the strategic goals, assuring the existence of an adequate environment control, a solid system of risk management, an efficient information and communication system and an effective monitoring process. In the context of its functions the Audit Department relates directly with the Executive Committee of the Board of Directors and with the Audit Committee.

The Audit Department developed its activity during the first half of 2012 in accordance with the Annual Plan approved, which reflects its roles in terms of evaluation and monitoring the quality of the environment control, in order to cover all the bank’s functional areas, with particular insistence that reveal major potential impact in terms of risk.

Among the activities concluded in the first semester of 2012, it should be noted the involvement in the development of the Reports regarding the Bank’s and Group’s Internal Control System, sent to the Bank of Portugal in the end of June, the accomplishment of 380 audits has planned and the development of new control routines in order to prevent and mitigate the operating risks.

LEGAL DEPARTMENT

During the first half of 2012, the Legal Department continued its mission of providing legal advice to the management bodies and those areas which report directly to management bodies (departments, services, offices, units and branches) of the Banco Comercial Português, S.A., Banco Activobank, S.A., Banco de Investimento Imobiliário, S.A. Millennium bcp - Prestação de Serviços, ACE and occasionally other Group's subsidiaries in Portugal and abroad. The Legal Department went on to attain its objective of contributing to improving the quality of services provided by the Bank, contributing to the increase in safety in banking operations, potentially preventing situations that generate litigation or liabilities arising from the operation of the respective services.

TAX ADVISORY SERVICES DEPARTMENT

During the first half of 2012, and under its functions and duties, the Tax Advisory Department monitored compliance with tax obligations by the companies of the Group, especially emphasis on the Income Tax (IRC) declarations of 2011. On the other hand, it responded or coordinated and verified the response to solicitations in tax matters of the Group's subsidiaries and coordinated relevant projects related to tax optimization, with special incidence in the Group's cost reduction. Still in the context of its functions and duties, the Tax Advisory Department participated, by request of the Executive Committee or other areas in charge of the coordination, the design and analysis of the tax framework and its consequences by Group's subsidiaries. Finally, the Tax Advisory Department monitors the changes in the tax legislation with relevant impact in the Group's subsidiaries, in products and services provided by them, disclosing and monitoring its implementation. In the second half of 2012, the Tax Advisory Department will continue to pursue the ongoing projects, along with its other functions and duties.

GENERAL SECRETARIAT

The General Secretariat, in this period, contributed in an active manner in the organization of the General Shareholders' Meetings held by the Bank, as well as the logistics and support to several meeting that were held in the first half of 2012, in the organization of the 25-year Awards and other activities related to its functions.

In that sense, it was especially involved in all the logistics and administrative process and in the support to the new Governing Bodies, namely the Board of Directors, the Executive Committee, as well as the Committees in the new governance model.

Along with these initiatives, the General Secretariat maintained its functions as coordinator of support team of the governing bodies (secretariat and drivers), as manager of several bank social areas and the services provided by them, namely the reserve and maintenance of meeting rooms and its equipment, catering service, support fleet management and outsourcers relationship.

All this was developed with special careful in order to comply with the budget, maintaining the quality level of the services provided and controlling costs.

COMMUNICATION DEPARTMENT

Millennium bcp's communication strategy builds on a real proximity to the Customers, employees, public institutions and the remaining Stakeholders. In the scope of the institutional communication, Millennium bcp continued to focus in being associated with major events and entities that, thanks to their size and positioning, are critical to enable the brand to reach the Mass Market. It is especially worth mentioning the continuation of sponsoring Rock in Rio Lisbon (Main Sponsor), which in 2012 had its 5th edition, and which is considered the main and better known music event held in Portugal, with a notoriety score reach 97% of the population. In this year's edition, the festival had more than 350 thousand visitors, strengthening Millennium bcp's perception as a banking brand associated with music, having been referred by 77% of the sample surveyed by the BrandScore consulting group. And it should also be noted the sponsoring of the Portuguese Olympic Committee in the context of the Portuguese participation the London Summer Olympic games of 2012, becoming the "Official Bank" of the Committee and the Portuguese Olympic Team. This way the goal was to reinforce the brand values related to work, ambition, passion and victory spirit.

The Commercial Communication activity in the first half of 2012 was in line with the Bank's strategy in acquiring new Customers, deposits and new business, through the launch of advertising campaigns built on a commercial speech along with the promotion of the key institutional values that reflect the Bank's positioning. Therefore, it should be highlighted the institutional campaign featuring José Mourinho in which the "Depósito a Prazo Special One Top" was promoted, presenting Mourinho's testimony about several strategic concepts to the bank, like saving, family and Portugal, in a speech based on the expression "we believe" as a common belief, transversal to Millennium and Society itself. The permanent adaptation and framing between the lived moment and the communication developed by the Bank was expressed in the main initiatives launched during this

period, being worth to highlight the “Depósito Olímpico” campaign (building on Portuguese Olympic Committee status), along with other campaigns like “Vantagem Ordenado”, “Cliente Frequente”, “Millennium GO!” (related to Rock in Rio Lisbon 2012), “Rendimento Mensal”, “M Imóveis”, in order to promote products and solutions increasingly strategic to achieve the goals set to banking business. In the first half of 2012, Millennium bcp maintained its leadership in terms level of spontaneous and total declared advertising recall. It should be noted that Millennium bcp was considered “The Best Bank in Portugal” by EMEA Finance and considered “The Bank of the Year” by Marketeer magazine.

Internal Communication’s mission is the organization’s strategic alignment. In the first half of 2012, the department focused in sharing the new board of directors’ vision to the Bank. In this period, Millennium tv launched its live emissions to Employees with the Earnings Press Conference, promoting the horizontal nature of the communication model, as well as the transparency of the information disclosure processes within the organization. These goals are also addressed by the internal website, whose contents were improved.

COMPANY SECRETARIAT

The Company Secretariat supports the Bank’s Governing Bodies and respective committees in the legal, administrative and logistics areas, ensuring their effective functioning. It provides legal advice to the Bank and companies of the Group, on corporate and corporate governance matters, and is responsible for ensuring the preparatory or accessory acts related to the their formalization, including the registration process of the respective minutes both regarding the Supervisory Authorities and Trade Registers. It is also responsible for the promotion and preparation of the General Meeting of Shareholders of the Bank and companies of the Group, for answering requests made by shareholders, and for the preparation of the Corporate Governance Report. This unit provides its contribution to and collaborates with all the Bank’s areas, both executing and validating minutes or documents. It also ensures the disclosure of internal institutional communications.

Its main mission for the second half of 2012 will be monitoring and collaborating with all the areas involved in the bank’s capital increase process and will continue to aim to achieve greater proficiency in the developing and complying with its functions and duties and interacting with the several governance bodies and areas in order to answering in due time and effectively to the group’s challenges.

FOREIGN BUSINESS SUPPORT UNIT

The Foreign Business Support Unit is an advisory unit for the Executive Board of Directors, with duties in the monitoring of the activity of the international operations. Its area of action includes the analysis of performance and support to the Board of Directors of local operations, the organization and participation in the European Business Committee meetings, and the analysis of the matters submitted for the appraisal of the Governing Bodies and Audit Committees of these operations. The area also coordinates and participates in strategic international projects, corporate and financial development projects relative to international operations, such as the review of business models, review of specific business areas and other projects of structural impact.

In the first half of 2012, FBSU activity, framed by the principles of the management agenda recently approved was focused in the analysis and minimizing of the risks related to the group presence in Greece, in order to reinforce the consolidated financial strength. It was also given a special emphasis to the optimization of the group’s business portfolio, especially the European. In this context, it should be highlighted the ongoing strategy revision of Bank Millennium in Poland, as well as the evaluation of structural options regarding Millennium bcp’s subsidiary in Romania. At the same time, FBSU promoted the process of sharing best practices among the group subsidiaries, especially those regarding new Customer acquisition.

STAFF MANAGEMENT SUPPORT DEPARTMENT

During the first half of 2012, the activity of the Staff Management Support Department focused on contributing to the development of solutions aligned with the Bank’s strategic evolution, ensuring the motivation of the Employees contributes to improve the Bank’s performance. In that sense, it should be highlighted the M Project implementation, and aiming to increase the Distribution Network specialization and to improve consistency and excellence across the Network, 1.836 Employees received more than eight thousand hours of training. Having in mind systematic alignment of the commercial strategies, in the context of the new challenges, it was provided loan recovery training (445 Employees, total of 5.708 hours of training) and complaints management (1.160 Employees and hours of training). The programme “A day in DRE” contributes, by sharing experience and reinforcing internal networking, to the procedures alignment and determination in achieving the established goals. Under the scope of this programme there were, until May, 80 affluent/business branch Coordinators from the Lisbon and Oporto districts to the offices of the Specialized Recovery Department. The excellence in the approach of Customers sustains the decision to maintain the Certification processes. In 2012, besides the Commercial Network and Private Banking, the process was extended to ActivoBank. In the

Certification process are currently 25 account managers, having received until now 2.500 hours of training. In the context of legal obligations (insurance mediation and the circulation of euro banknotes and coins) 2.032 Employees were involved, receiving a total of 17.521 hours of training.

The bank continued to promote motivation, promoting the relevant role of the Employees in managing their own careers. This way, and for the first time, it was given the opportunity to Employees, with the appropriate profile, to present their own applications to the 3rd edition of Grow Fast programme. The 174 applications received were analyzed individually by the Committee. In June, the 3rd edition of Grow Fast programme started (19 participants) as well as the start of a new programme, Master in Millennium which includes 45 participants and aims to contribute to the career development of these Employees, allowing them to develop leadership skills that they still do not have. The greater involvement of Employees in activities not related to their daily work encouraged the department to start a new initiative directed to Employees in the Young Specialist programme and to a group of Employees from the Retail Network (more precisely from Ourém branches). In the context of social responsibility, approximately 60 Employees created an innovative project: a Social Shop (named "Sharing Point") in order to assist needy families in the Ourém municipality. The bank maintained its involvement with youth by sponsoring, alone, the Startup Programme, Junior Achievement Portugal which this year involved 30 Mbcv volunteers/tutors and was supported by teachers. This made possible to provide training in entrepreneurship to 150 university students in several locations (Oporto, Lisbon, Aveiro, Santarém, Setúbal and others). The Tutor (Mbcv volunteer) has the critical role of guiding a team in founding its company, sharing with them their business experience. The close bank relation with university students is also present in a number of other initiatives that were developed since the beginning of this year in the context of Come and Grow With Us Programme (CGWU), which has proved to be highly successful among University students (3.270 application were received in the first half of 2012, compared to 2.342 in the same period of the previous year).

RISK OFFICE

During the first half of 2012, the Risk Office continued to develop its duties of promoting and coordinating risks management within the Group, contributing to the strengthen of the internal control system and to the achievement of the Group's strategic goals, as far as trust and financial strength improvement are concerned. It should be also noted the activities developed to effectively accommodate all the recommendations of the Bank of Portugal regarding the IRB authorization received (or the application stage), as well as those provenient from the Special Inspection Programme (SIP) held in the context for the financial bailout of Portugal, which ended in the first quarter of this year. Moreover, the Risk Office continued to be a major participant in performing the frequent stress tests, which are a major element part of the Financing and Capital Plan, and actively promoting the improvement of the control, monitoring and internal report mechanisms of the different types of risks related to the Group's business.

RATING DEPARTMENT

During the first half of 2012, it was implemented the Risk Grading System (SAGR) solution, application which currently supports all the the Customer risk grading activity, ensuring the maintenance of all information related to the analysis as well as the automatic registration in the bank's central system, of the Customer risk grades, their expiration dates and the analysis model used. The analyses performed, namely the Rating Reports, are instantly available to the areas that most need them, in particular the Credit Department and the Retail Network. It was developed a datamart of SAGR that will allow the access to the information required, in a simpler and reliable way, the validation of the periodic models, the preparation of all necessary management information to the planning of the Rating Department, allowing also the extraction and systematization of the Group's loan portfolio risk information, in order to support strategic decision of credit approvals. As far as the Companies, Corporate and Real Estate financing Rating system is concerned, it was concluded the revision and classification of the Bank Customers, already registered in SAGR. For the second half of 2012 the Department will be focused in two areas: improving some models, namely the Mid Corporate, which will include qualitative analysis by the rating analysts in sectorial approach, and the inclusion of news functionalities to the SAGR application in order to facilitate the Department's activities and improve communication with the Commercial Networks. It is also expected the approval, in the context of the Real Estate financing segment application to the IRB, state-owned companies and others.

FINANCIAL HOLDINGS DEPARTMENT

The Financial Holdings Department ensures the management of the bank's portfolio of financial holdings and provides Middle Office and financial instruments valuation services, to the support of the treasury and financial activities of the Group.

In the first half of 2012, continuing the activity of optimizing the bank's investment portfolio, aiming to reduce it size and risk. In the support to treasury and valuation management processes, the Department strengthened

the daily monitoring procedures and earnings and risk reporting, in particular the counterparty risk, extending those risks to Group's subsidiaries abroad. In the second half, the department will continue the effort to sell non-strategic assets, in order to divest from financial fixed assets, and to consolidate the monitoring process of the treasury activities regarding subsidiaries abroad. This effort incentives greater articulation among Front Office, Middle Office and Back Office areas and the development of management tools in order to achieve a global view of the assets.

ASSETS AND LIABILITIES MANAGEMENT DEPARTMENT

From the activity developed by the Assets and Liabilities Management Department in the first half of 2012, it should be highlighted the collaboration in preparing the recapitalization plan having recourse to the State support, as well as in the negotiation of the conditions and characteristics of the instruments that support this aid and the collaboration in the restructuring instruction demanded by the European Commission in the context of the impact evaluation of the State support programmes; the coordination of the process of partial transfer of responsibilities related to pension funds to the state; the coordination of liability management operations performed in the first half of 2012, related to covered bonds, bonds issued in the context of securitization (ABS) and senior debt, with relevant positive impact in the earnings and in the Core Tier I capital. The priorities of action in the second half of 2012 will be focused mainly in the recapitalization, in its several components, as well as in the definition of balance positioning strategy regarding market risks.

MILLENNIUMBCP AGEAS

The economic and financial crisis, which has aggravated over the past two years, bring to the evidence that the paradigm of the insurance business has changed, requiring a return to the industry fundamentals, consisting in placing, sustainable and profitable Life and Non-Life insurance products.

The strategic review process undertaken by Millenniumbcp Ageas, with full support from its shareholders in order to prepare insurance companies for this new reality, led to a new vision based on three pillars: protect the franchise, grow the current business model and expand the strategic scope of the operation. In the first pillar includes the development of new policies for the management of investment portfolios, strengthening portfolio retention mechanisms, cost control and reduction of incidents rates. Under the second pillar, several projects were launched to revive the sale of Non-life solutions in the Retail segment of the bank, to develop Non-life business in the companies and SMEs segments, as well as the development of a new marketing mix for Life Insurance. The third pillar relates to the development of new distribution channels. The strategic directions of Millenniumbcp Ageas remain the profitability and financial strength, business development and innovation, growth, productivity and quality.

2012 has proved a particularly challenging year, as it worsened, especially on the economic front, the unfavourable economic conditions that affected the last year: deepening of economic recession, rising unemployment, worsening of sovereign debt crisis, extended now to some of the most representative of the Euro Area economies, funding markets closed, just to mention some of the factors that strongly impacted negatively the growth and strength of the insurance market.

The Life insurance market, in particular financial products, remains in sharp decline, with premium volume to fall 28% year-on-year. Millenniumbcp Ageas showed better performance than the market in Life, and even strengthened its market share regarding mathematical provisions, and grew above the market in all the Non-Life business. Millennium bcp Ageas had good technical results, improved operating performance and managed to keep costs in check.

The good operating performance in both Life and Non-Life, and the careful implementation of the defined strategy resulted in a net income at the end of 1st half of 2012 of 62 million euros, 63% higher year-on-year. The financial strength has also been strengthened, as evidenced by the consolidated solvency ratio of 221% (146% at the end of 2011).

For the 2nd half of 2012, the prospects point to the maintenance of a difficult external environment, with potential risks whose materialization can adversely affect the performance of the entire insurance industry. Strategic initiatives are already been prepared to enhance the operation, not only to respond to the challenges of external environment, but also - and especially - to take advantage of business development opportunities that challenging periods like the current always provide to market operators that, as Millenniumbcp Ageas, are ready to capture them.

Key Indicators

Million euros

	Jun-2012	Jun-2011	Change
Direct Written Premiums			
Life	407	659	-38.2%
No Life	120	118	1.0%
Total	527	777	-32.2%
Market Share (*)			
Life	12.7%	13.8%	
No Life	5.6%	5.3%	
Total	10.0%	11.2%	
Technical Margin (1)	121	84	44.2%
Technical Margin Net of Operating Costs	83	42	98.9%
Net Profit (2)	62	38	63.4%
Gross Claims Ratio (Non-Life)	61.1%	63.9%	
Gross Expense Ratio (Non-Life)	22.9%	23.1%	
Non-Life Gross Combined Ratio	84.0%	87.0%	
Life Net Operating Costs / Average of Life investments	0.87%	0.85%	

(1) Before allocation of administrative costs

(2) Before VOBA (value of business acquired)

(*) in 2012, market values related to May

RISK MANAGEMENT

Throughout the first half of 2012, the Risk Office pursued its activities concerning the promotion and coordination of risks' management and control, as well as the reporting - both external and internal - for the different risk types in which the Group incurs, resulting from the development of its businesses.

The risk management activities were centred on the following lines of action:

- Launching of a set of initiatives aimed at the implementation of the conditioning measures regarding Banco de Portugal's approval of the use of an Internal Ratings Based Approach (IRB) for the calculation of capital requirements for credit risk, while ensuring, simultaneously, the applications for the extension of this methodology to other portfolios of the Group, in Portugal and in Poland;
- Deliverance, to Banco de Portugal, of the stress-tests results made within the scope of the Funding and Capital Plan, as at March 2012;
- Continued implementation of Banco de Portugal's recommendations stemming from the Special on-Site Inspections Program (SIP) of 2011 and start of the real estate portfolio's assessment within the scope of the new On-Site Inspections Program;
- Issuance of the regulatory Pillar II (of Basel II) report and of the Credit Concentration Report;
- Collaboration in the issuance of the Internal Control System Reports (2011);
- Development of improvements for the strengthening of internal procedures concerning the assessment and the reporting of risks;
- Regular stress-testing exercises, not only in accordance with regulatory requirements but also through the methodology internally defined;
- Launching of a Risk Governance and Risk Management project, aiming at the clarification of the risk management and control governance.

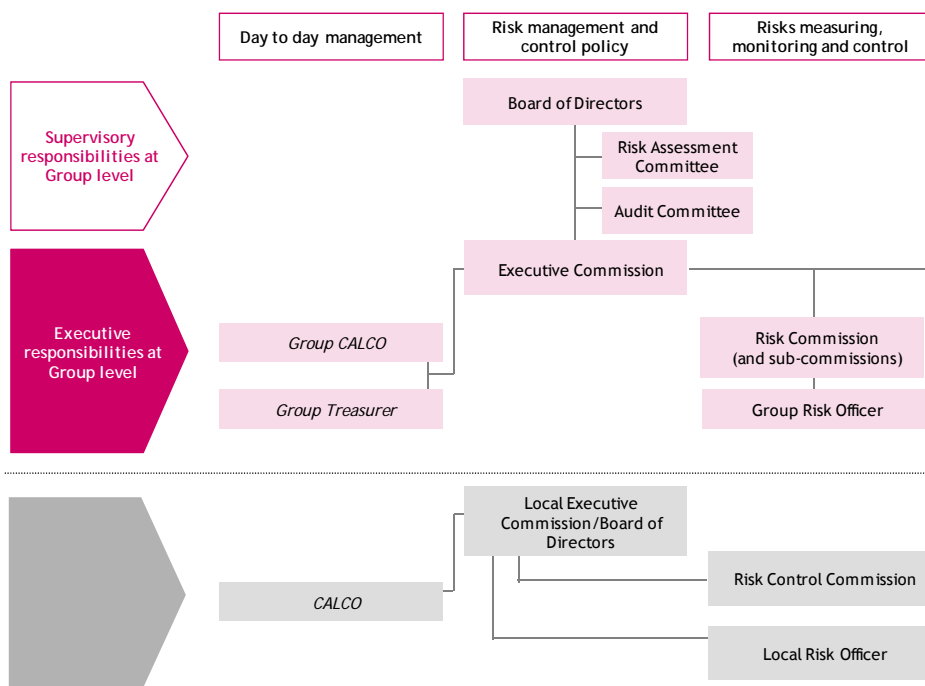
A highlight should also be made upon the continuous improvement of processes for the identification, assessment, monitoring and control of risks, as well as of its reporting - namely, to the Audit Committee and to the Risk Commission.

Risk Management Governance

Recent changes to the corporate governance model of Banco Comercial Português (BCP) have implied some detail adjustments to the risk management governance, after its reinforcement regarding credit risk, from the last quarter of 2011, when the Risk Commission had established a Credit Risk Monitoring Sub-commission (SCARC).

This Sub-commission - for which the details regarding its composition and capacities are detailed ahead - has been meeting with a significant frequency, in order to acknowledge and to review the reports that several areas of the Bank, in Portugal, are required to produce, as a way to give the Executive Committee of the Board of Directors a more incisive monitoring of the risk evolution that is inherent to the loans portfolio.

It should be recalled, within this context, that the Risk Commission and its Sub-Commissions for the monitoring of specific types of risk - such as the aforementioned SCARC and the Pension Funds Risk Sub-Commission (SCRFP) - are bodies that stem from BCP's Board of Directors and fit into the overall framework of risk management and control governance as graphically represented by the following figure:



Following, a description of the competences and attributions of the bodies intervening in risk management governance at Group level - either with management or with internal supervisory capacities (except for the Board of Directors and its Executive Committee).

Risk Assessment Committee

The Risk Assessment Committee is composed by three non-executive members of the Board of Directors and has the following competences:

- Monitoring of the overall credit, market, liquidity and operational risk levels, ensuring that these are compatible with the objectives, financial resources and strategies adopted for the development of the Group's activity.
- Advising the Board of Directors on matters related to the risk strategy, to capital and liquidity management and to market risks.

Audit Committee

The Audit Committee is also composed by three non-executive members of the Board of Directors and has the following attributions:

- Management supervision, financial reporting documents and qualitative measures aimed at the fine-tuning of internal control systems, of the risk management policy and of the compliance policy;
- Supervision of the internal audit activity, ensuring the independence of the Certified Accountant and issuing recommendations on the contracting of External Auditors, as well as a proposal for its election and for the contractual conditions of their services;
- The reception of any notifications of irregularities presented by the shareholders, employees or others, ensuring its follow-up by the Internal Audit Department or by the Client's Ombudsman;
- Issuing opinions on loans (granted under any form or mode, including the presentation of guarantees), as well as on any other contract that the Bank or any company of the Group signs with members of its governing bodies, with shareholders owning more than 2% of the Bank's share capital or with entities which, under the terms of the General Framework of Credit Institutions and Financial Companies, are related to the governing bodies' members or reference shareholders.

The Audit Committee is the main addressee of the Internal Audit's, Certified Accountant's and External Auditors' reports and holds regular meetings with the Director responsible for the financial area, with the Group Risk Officer, with the Compliance Officer and the with the Head of Internal Audit.

Risk Commission

This Commission is responsible for the follow-up of overall risk levels (credit, market, liquidity and operational risks), ensuring that these are compatible with the objectives, the available financial resources and the strategies approved for the development of the Group's activity.

This Commission includes all of the members of the Executive Committee, the Group Risk Officer, the Compliance Officer and the Heads of Internal Audit, Treasury and Markets, Budget Planning and Control, Financial Holdings, Credit, Rating, Research Office and Assets and Liabilities Management.

Credit Risk Monitoring Sub-Commission

This unit has the following duties and responsibilities:

- Monitoring the evolution of credit exposure and credit underwriting process;
- Monitoring the evolution of the portfolio's quality and of the main risk and performance indicators;
- Monitoring counterparty risk and concentration risk of the largest exposures;
- Monitoring the impairment evolution and the main cases of individual impairment analysis;
- Performance analysis of the credit recovery processes;
- Monitoring of the real estate portfolio divestment;
- Proposals for the definition of policies and rules on loans concession;
- Monitoring of the PD (Probability of Default) and LGD (Loss Given Default) models;
- Monitoring of the models underlying the impairment assessment;
- Monitoring of the automatic decision-making and credit recovery processes.

The members of this Sub-commission are the Executive Committee's members responsible for the financial area and for risk management and two other members of the Executive Committee, the Group Risk Officer and the Heads of Credit, Rating, Credit Recovery, Budget Planning and Control, Corporate II, Real Estate and Marketing areas.

Pension Funds Risk Sub-Commission

The mission of this specialised Sub-commission is the monitoring of the performance and risk of BCP's Pension Funds (the Defined Benefits Fund and the Complementary Fund) and the establishment of adequate investment policies and its respective hedging strategies.

The members of this Sub-Commission are the Executive Commission's members responsible for the financial area and for risk management, the Group Risk Officer and the Heads of Budget Planning and Control, Assets and Liabilities Management and People's Management Support. Through permanent invitation, the entities linked to the management of the Pension Funds (Pensõesgere and F&C) are also represented.

Group CALCO

The Group CALCO is responsible for the management of the overall capital of the Group, for the management of assets and liabilities and for the definition of liquidity management strategies at a consolidated level. Specifically, the Group CALCO Group (also called the Planning and Capital Allocation and Assets and Liabilities Management Commission) is responsible for the structural management of market and liquidity risks, including, among others, the following aspects:

- Monitoring and management of market risks associated to the assets and liabilities structures;
- Planning and proposals concerning capital allocation;
- Proposals for the definition of adequate policies for market and liquidity risk management, at the level of the Group's consolidated balance sheet.

The Group CALCO is chaired by the Executive Committee's member responsible for the financial area and a further four members of the Committee are also members of this body. The other members of the CALCO Group are appointed by the Executive Committee, including, among others, the Heads of Assets and Liabilities Management, Treasury and Markets, Budget Planning and Control, Financial Holdings, Research Office, Management Data, Corporate Business and Marketing, as well as the Group Risk Officer and the Chief Economist.

Group Risk Officer

It is the person responsible for the risk control function for all entities of the Group. Thus, in order to ensure the transversal monitoring and alignment of concepts, practices and objectives, the Group Risk Officer is responsible for informing the Risk Commission on the general risk level and for proposing measures to improve the control environment and to implement the approved limits.

The Group Risk Officer has veto power concerning any decision that might have an impact on the Group risk levels and is not subject to the approval of the Board of Directors or its Executive Committee.

In order to fulfil its mission, the duties of the Group Risk Officer include:

- Supporting the definition of risk management policies and methodologies for the identification, assessment, control, monitoring, mitigation and reporting of the different types of risk;
- Proposing and implementing a set of measurements applicable to the different types of risk;
- Ensuring the existence of a body of rules and procedures to support risk management;
- Controlling, on an ongoing basis, the evolution of different risks and compliance with the applicable policies, regulations and limits;
- Ensuring the existence of an effective IT platform and a database for a robust and complete risk management;
- Participating in all decisions of relevance to risk and with an impact on the internal control system, empowered with the authority to enforce compliance with the Group's regulations and objectives relative to risk;
- Preparing information on risk management, for internal and market disclosure.

The Group Risk Officer is appointed by the Board of Directors and supports the works of the Risk Commission, as well as of its sub-commissions, referred to before (Credit Risk Monitoring and Pension Funds).

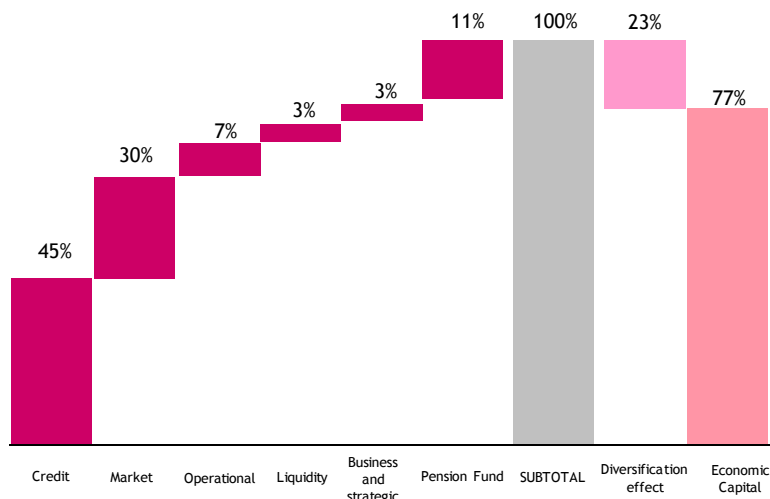
Economic Capital

For the calculation and management of economic capital, the Group considers a time horizon of 12 months, bringing together various aspects of economic, regulatory and practical order around this same forecasting window: business planning, external ratings, the regulatory capital within the scope of Pillar I and quantification of credit risk through the internal probability of default (PD) models, among others.

In the economic capital model it was used, a goal parameter of a 1-year global default probability of 6 basis points was defined (at a confidence level of 99,94%).

The graph below shows the economic capital breakdown in March 2012:

Economic Capital breakdown
31st of March 2012



Credit risk remains the most relevant risk for the Group. By March 2012, the Pension Fund risk corresponded to 11% of economic capital, before diversification benefits. This risk remains high, despite the transfer of responsibilities to the public welfare system.

Market risks incorporate the Trading Book risk, the Banking Book interest rate and equity risks and the Real Estate risk.

Models monitoring and validation

The Models Control Unit (a sub-unit of the Risk office) is responsible for the independent monitoring and validation of credit and market risks models and systems.

The implemented monitoring and validation structure also includes the model owners, the rating systems owners, the Validation Committee, the Risk Commission and the Internal Audit Division.

During the first half of 2012 several validation, calibration and revision/improvement actions were performed over credit risk and market risks models, as planned.

In the case of credit risk models, these actions were focused on rating models and systems for Corporate and Retail, in its various components, for models used in Portugal and in some subsidiaries abroad.

Within the scope of the validation processes, the most significant models are the Value-at-Risk (VaR) model for market risks, the losses estimation model (LGD model), the credit conversion factors estimation model (CCF model) and the probability of default (PD) models, such as the Small, Mid and Large Corporate rating models, the Real Estate Promotion rating model and the TRIAD behavioural models applied to retail customers.

The follow-up and validation of models also aims to monitor and increase the knowledge about its quality, in order to strengthen the capacity to timely react to changes in its predictive powers, thus enabling the Group to reinforce its confidence in the use and performance of each of the implemented models and systems.

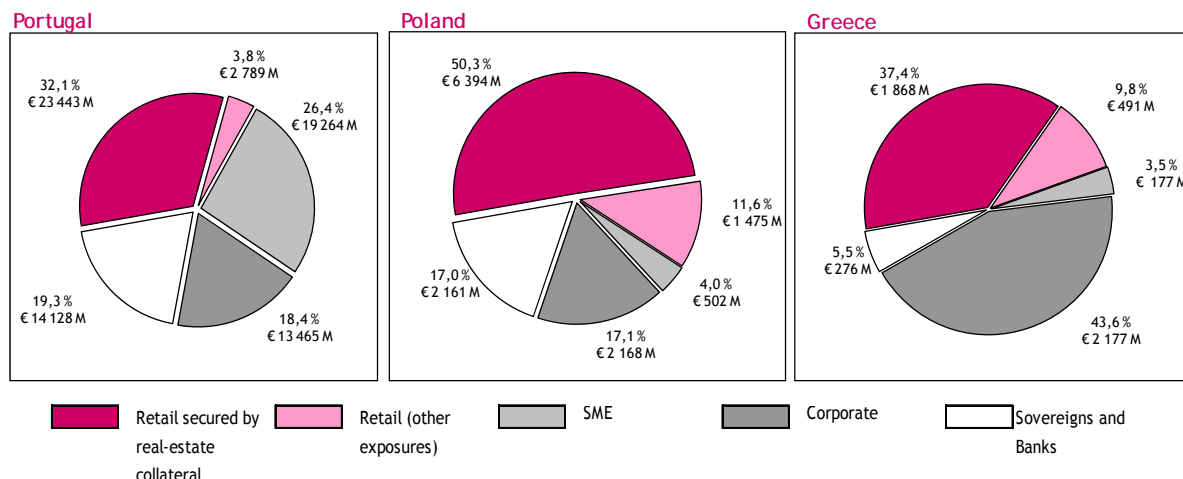
Credit risk

In the first half of 2012, the following activities - concerning credit risk assessment, follow-up and control, for the different portfolio segments - are highlighted:

- Resolution of key aspects related to the change of the real estate portfolio to IRB and the use of own estimates for LGD and CCF in the corporate exposure class;
- Updated estimates of Loss Given Default (LGD) for the Retail and Corporate exposures;
- Presentation, to the Polish supervisor (KNF), of an update concerning the application for the use of IRB in Retail at Bank Millennium, reflecting the adoption of measures proposed by KNF and Banco de Portugal in the course of the application's evaluation;
- Enhanced monitoring of credit quality through systematic monitoring by SCARC of non-performance indicators and of the main credit recovery cases;
- Adoption of a new credit recovery model for Retail, taking advantage of the available commercial network capacity and encouraging a more effective interaction between the various intervenient in the recovery process. This model is also based on further effectiveness of the collection effort, through the use of behavioural models for customer segmentation.

Credit portfolio structure

The graphs below present the breakdown of the global credit portfolio, by 30th of June 2012, in terms of exposure classes, for the main operations of the Group (in terms of Exposure at Default - EAD):



Credit concentration risk

As previously referred, by the end of the first quarter of the year the Group presented to Banco de Portugal its annual report on Credit Concentration Risk, referred to 31/12/2011, in compliance with the supervisor’s Instrução no. 5/2011.

This report identified the top 100 credit risk positions, in terms of individual exposures (single name concentrations) and also showed the exposures’ distribution in terms of economical activity sectors (sector concentration), both at consolidated level and for each of the three major countries where the Group operates (Portugal, Poland and Greece).

It’s worth mentioning that Banco de Portugal’s requirements reinforce the Group’s policies concerning the identification, assessment and management of credit risk concentration. In fact, there are internally defined limits to credit exposure, aiming at the mitigation of this risk. The status of the largest credit exposures towards those limits is regularly monitored by the Risk Office and reported to the Audit Committee and to the Risk Commission.

The next table shows the position of the 20 largest customer groups by the end of the first half of 2012, as a percentage of Own Funds, as well as its weights over the consolidated Exposure at Default.

Clients' groups	Net exposure/Own Funds	EAD weight in total EAD
Group 1	10,0%	1,3%
Group 2	6,9%	1,0%
Group 3	6,6%	1,0%
Group 4	3,8%	0,7%
Group 5	3,7%	0,5%
Group 6	3,0%	0,5%
Group 7	2,9%	0,4%
Group 8	2,8%	0,4%
Group 9	2,5%	0,3%
Group 10	2,4%	0,3%
Group 11	2,3%	0,5%
Group 12	2,3%	0,4%
Group 13	2,2%	0,3%
Group 14	2,1%	0,4%
Group 15	2,0%	0,3%
Group 16	1,9%	0,3%
Group 17	1,8%	0,4%
Group 18	1,8%	0,2%
Group 19	1,8%	0,3%
Group 20	1,6%	0,3%
Total	64,2%	9,9%

Operational risk

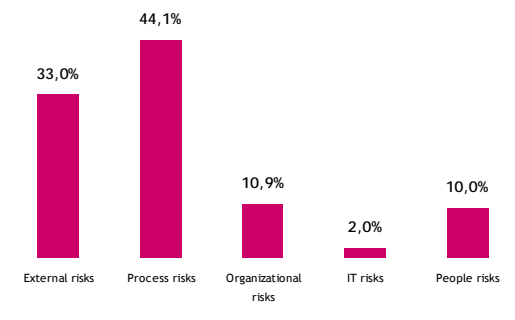
The Group's activities related to the management of this risk were continued in the 1st half of 2012 in the main subsidiaries of the Group, with the following achievements' highlights:

- Further consolidation of the operating losses database, through the identification of new events in the main operations of the Group;
- Launching and preparation of new self-assessment exercises in all major geographies. In Portugal, Macro-Process Owners participated in those exercises, in order to add a broader perspective of the risks (top-down);
- Extension of risk indicators' identification to new processes and countries (Mozambique);
- Wider use of management tools by the Process Owners for the identification of improvements that contribute for strengthening the processes' control environment.

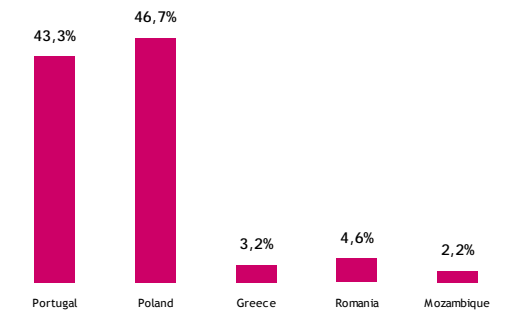
Operational losses

- The main goal for creating an operational loss events' database is to increase awareness of this risk and provide relevant information to the Process Owners, for incorporation within the processes management.
- The profile of the events recorded in the database of the Group until 30 June 2012 - by cause, geography and amount - is presented in the following graphs. These show that most of the losses were caused by procedural flaws and external causes, occurred mainly in Poland and Portugal and resulted in low materiality amount (less than € 20,000):

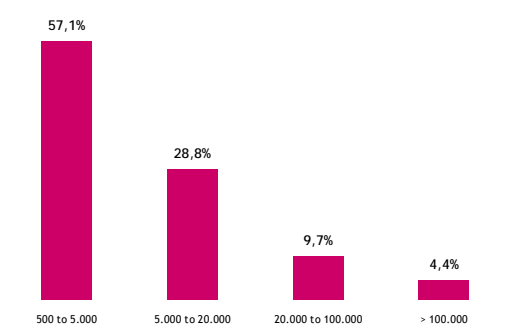
Loss amounts distribution
By type of event



Loss amounts distribution
By country



Loss amounts distribution
By amount range (€)



Risks self-assessment

The annual risks self-assessment exercises (RSA) aim to identify effective or potential risks within the scope of each process, promoting the reduction or elimination of the most significant exposures.

These exercises are regularly executed in Portugal, Poland, Greece, Romania and Mozambique.

The classification of each risk, within each process, is obtained through its positioning on a risk-tolerance matrix, for three different scenarios, allowing for:

- The assessment of the exposure to risks, not including the influence of already existing controls (Inherent risk);
- The assessment of the influence of the existing control environment in the reduction of the exposure levels, by considering the risk levels after the implementation of controls (Residual risk);
- The identification of improvement opportunities for the risks that were assessed as having the most significant exposures (Target risk).

The most significant exposures are mitigated through corrective measures identified during the RSA exercises, its implementation being monitored through the IT application that supports operational risk management.

The RSA annual exercises also allow the profiling of the magnitude of the 20 different risk sub-types that are considered in operational risk management - considering the expected severity of loss events and the expected frequency of such events - for the global set of processes considered, for each country.

When loss events are registered for the operational processes, this information is used to measure the results (back-testing) of the self-assessments by the Process Owners and Process Managers.

Key risk indicators

Key Risk Indicators (KRI) provide alerts for possible changes in risk profiles or in the effectiveness of the controls, allowing for the identification of corrective measures that contribute to prevent potential risks.

The use of this management tool has been progressively extended to new processes of the major operations, and has recently been extended to Mozambique. The identification of KRI for new processes is supported by an 'indicators library' at Group level which currently has over 350 KRI for the monitoring of risks of the major processes (business processes and business' support processes). The processes management also uses performance and control indicators (Key Performance Indicators - KPI and Key Control Indicators - KCI). Although oriented to operational efficiency, the monitoring of such indicators also contributes for risks prevention.

Business continuity plans

Business continuity plans (within Business Continuity Management) have been defined and implemented for the main Group operations, in order to ensure the continuity of the main business activities in the event of disaster or major contingency.

In the last semester, this operational risk management component continued to be improved being promoted and coordinated by a dedicated organizational unit. A highlight should be made upon the undertaking of contingency simulation exercises, within the scope of a program and strategy previously approved, allowing for the testing of the defined recovery plans and train employees from organizational units that support the activities of critical processes

Insurance contracting

The contracting of insurance for risks related to assets, persons or third party liability is another important instrument within operational risk management, aiming at the transfer - total or partial - of risks.

Proposals for the contracting of new insurance policies are submitted by process owners, under the scope of their duties concerning the management of operational risks inherent to their processes, or are presented by the Heads of areas or of organizational units.

The specialised technical and commercial functions within insurance contracting are entrusted to the Insurance Management Unit which is specialised and transversal to all entities of the Group located in Portugal.

Market risks

Market risks consist in the potential losses that might occur in a given portfolio, as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments also its volatility.

For the purpose of profitability analysis and of the quantification and control of market risks, the following management areas are defined for each entity of the Group:

- Trading - Management of positions with the aim of obtaining short-term gains, through sale or revaluation. These positions are managed actively, traded without restrictions and can be precisely and frequently evaluated. The positions in question include securities and derivatives related to sales activities;
- Funding - Management of institutional funding (wholesale funding) and monetary market positions;
- Investment - Management of all positions in securities held until maturity (or during a long period of time) or that are not tradable on liquid markets;
- Commercial - Management of positions stemming from the commercial activity with clients;
- Structural - Management of balance sheet elements or of operations which, due to its nature, are not directly related with any of the management areas above referred;
- ALM - Assets and liabilities management.

The definition of these areas allows for an effective management segregation of the trading and banking books, as well as for a correct allocation of each operation to the most suitable management area, according to its respective context.

In order to ensure that the risk levels incurred in the different management areas' portfolios of the Group are in accordance with the Group's risk tolerance levels, several limits are defined for market risks (at least, once a year) and are applied to all management areas portfolios that, in accordance with the management model, might incur in these risks.

The definition of these limits is based on the market risks metrics used by the Group in its control and monitoring, which are followed on a daily basis (or intra-daily, in the case of the financial markets' areas (Trading and Funding) by the Risk Office.

In addition to these risk limits, stop loss limits are also defined for the financial markets areas, based on multiples defined for those areas, aiming at limiting the maximum losses which might occur within each of the areas. When these limits are reached, a review of the management strategy and assumptions for the positions in question must be undertaken.

Trading Book market risks

The Group uses an integrated market risk measurement that allows for the monitoring of all of the risk subtypes that are considered to be relevant. This measurement includes the assessment of the following types of risk: generic risk, specific risk, non-linear risk and commodities' risk.

Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from those without considering any type of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of generic market risk - relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps - a VaR (Value-at-Risk) model is used, based on the parametric approximation defined in the methodology developed by RiskMetrics (1996). This approach considers a time horizon of 10 business days and a significance level of 99%.

In this methodology, the volatility of each of the market risk factors (and respective correlations) considered in the model is estimated by an econometric estimation model, EWMA, with an observation period of one year and a time-weighting factor (*lambda*) of 0.94.

Furthermore, an internally-developed methodology is also applied, replicating the effect that the main non-linear elements of options' positions might have in the results of the different books in which these are included, in a similar way considered within the VaR methodology, using the same time horizon and significance level.

Specific and commodities' risks are measured through standard methodologies defined in the applicable regulations (arising from Basel), with a corresponding change of the time horizon considered.

The amounts of capital at risk are thus determined, both on an individual basis and in consolidated terms, considering the effects of diversification of the various portfolios.

The table below presents the values at risk measured by the methodologies referred to above, for the Trading Book, between 31 December 2011 and 30 June 2012:

Trading Book's market risks					
	(thousand euros)				
	Jun-12	Average	Max.	Min.	Dec-11
Generic risk (VaR)	2.490,6	4.060,0	12.197,4	1.520,8	5.023,4
Interest rate risk	1.815,2	3.788,7	12.097,7	1.851,6	5.051,1
FX risk	802,9	1.216,1	1.243,7	1.083,1	1.761,2
Equity risk	592,4	461,3	480,4	463,2	664,4
<i>Diversification effects</i>	719,9	1.406,0	1.624,4	1.877,1	2.453,3
Specific risk	594,0	784,9	1.354,7	567,3	1.298,5
Non-linear risk	10,9	141,8	723,1	7,1	379,8
Commodities risk	15,7	11,4	18,4	1,7	4,3
Global risk	3.111,2	4.998,2	13.227,7	2.170,7	6.706,0

Notes:

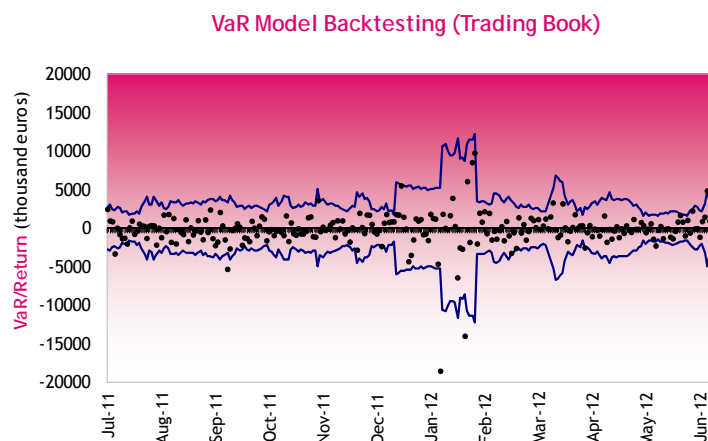
- Holding term of 10 days and 99% of confidence level.
- Consolidated positions from Millennium bcp, Bank Millennium, Millennium bank Greece and Banca Millennium (Romania).

The first half of 2012 remained a period of high instability in financial markets, with higher than historically observed volatility, particularly in what concerns the public debt yields of countries like Portugal and Greece. Despite this market behaviour, the active policy of reduction and mitigation of exposure in the Trading Book followed by the Group has allowed for a significant decrease of risk levels along this period. By the end of June, market risk - as measured by internal control metrics - was of € 3.1 M, less than half measured at the beginning of the period (€ 6.7 M).

Monitoring and validation of the VaR model

In order to ensure that the internal VaR model is adequate for the risks assessment of the positions held, several validations of different scope and frequency are performed, including backtesting, estimation of the effects of diversification and scope analysis of the risk factors considered.

The following graph illustrates the hypothetical backtesting for the trading book, confronting the VaR indicators with the hypothetical results of the model used. These results confirm the model's adequacy for the assessment of the risks at stake.



Interest rate risk in the Banking Book

The interest rate risk derived from the operations of the Banking Book is assessed through a process of risk sensitivity analysis, undertaken monthly and covering all the operations included in the Group's consolidated Balance Sheet.

The variations in market interest rates have an influence on the Group's net interest income, both under a short and a medium/long term perspective, affecting its economic value in the long term. The main risk factors arise from the repricing mismatch of the portfolio's positions (repricing risk) and from the risk of variation of market interest rates (yield curve risk). Moreover - although of a lesser impact - there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of the positions registered at the information systems, with the respective expected cash-flows being forecasted in accordance with the repricing dates, thus calculating the impact over economic value resulting from alternative scenarios of change of the market interest rate curves.

This analysis, referred to 30th of June 2012, was carried out by calculating the difference between the present value of the interest rate mismatch, discounted at market interest rates, and the present value of that mismatch, discounted at market interest rates +100 bps (for all terms), results in an impact of around 114 million euros for the positions in Euros.

The following table show the impact on economic value of this shift, for each management area and for the different terms-to-maturity of the positions at stake:

Repricing gap in EUR	Repricing terms to maturity					Total
	< 1 A	1 - 3 A	3 - 5 A	5 - 7 A	> 7 A	
Commercial area activity	21.998,1	64.063,2	77.077,7	-2.182,5	-5.586,6	155.369,8
Structural area activity	-7.650,8	64.177,7	276.047,8	3.476,5	24.632,4	360.683,7
Subtotal	14.347,3	128.240,8	353.125,6	1.294,0	19.045,7	516.053,5
Hedging	-11.862,2	-117.125,9	-190.841,8	-2.434,1	-23.422,5	-345.686,5
Commercial and Structural total	2.485,2	11.115,0	162.283,8	-1.140,1	-4.376,7	170.367,1
Funding and hedging	21.510,8	1.595,7	-5,7	-8,0	-316,3	22.776,5
Investment portfolio	-47.235,1	-15.905,0	-26.972,6	-9.549,8	-57.892,4	-157.554,9
ALM	3.660,6	44.779,3	46.806,4	-10.669,3	-5.960,6	78.616,4
Banking Book total (Jun 2012)	-19.578,5	41.585,1	182.111,9	-21.367,2	-68.546,1	114.205,1
Banking Book total (Dec 2011)	8.222,9	21.287,5	-11.751,1	-27.290,9	-62.279,7	-71.811,4

The Group regularly performs hedging operations with the market, aimed at reducing the interest rate mismatch of risk positions associated to the portfolio of the Commercial and Structural areas (capital operations, medium/long term funding operations, etc).

The risk positions that are not subject to specific market hedging operations are transferred internally to the two markets' areas (Funding and ALM), thus becoming an integral part of the respective portfolios. As such, they are daily assessed through the VaR model.

Exchange rate risk in the Banking Book

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet.

The only exposures to exchange rate risk that are not included in this transfer - the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations. As at 30 June 2012, the Group's financial holdings in USD, CHF and PLN were covered (in this last case, partially).

Equity risk in the Banking Book

The Group maintains some equities' positions of an insignificant magnitude in the Banking Book, which are not meant to be negotiated with trading purposes.

The management of these positions is carried out by a specific area of the Group, its risk being included in the Investment area and followed-up on a daily basis, through measurements and limits defined for the control of market risks within the Group.

Liquidity risk

In the 1st half of 2012 and in accordance with the Liquidity Plan approved for this year, the Bank issued debt guaranteed by the State, incorporating it into the pool of discountable assets at the European Central Bank (ECB): two emissions, of € 1.4 B and € 1.5 B, totalling approximately € 2.4 B after haircuts.

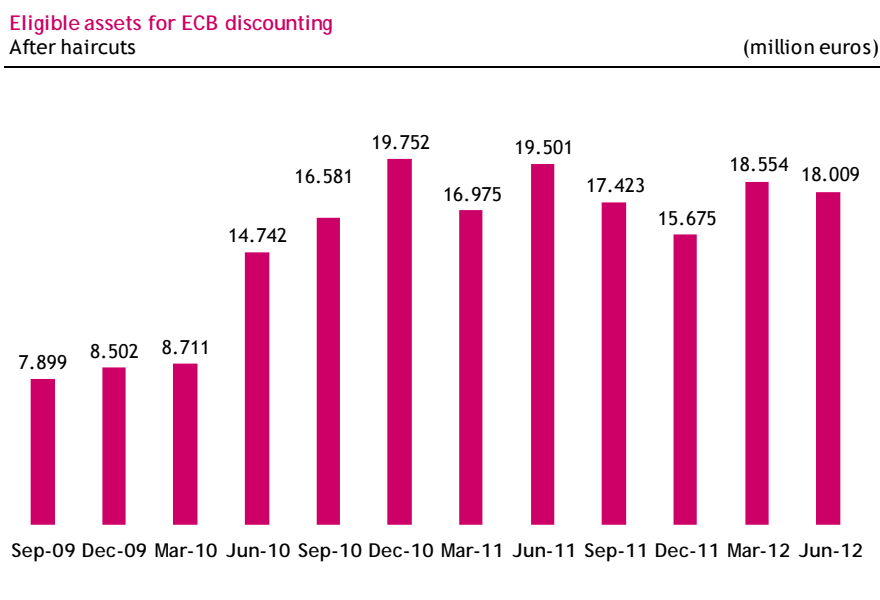
In December 2011, the ECB's Council decided to adopt additional measures to promote lending and money market liquidity in the euro zone, extending, among others, the criteria for determining the eligibility of assets to be used as collateral in monetary policy operations of the Eurosystem. Indeed, these temporary measures have contributed to mitigate the effects of a possible loss of eligibility of the pool of eligible assets.

Benefiting from this temporary widening of the ECB's acceptance criteria concerning eligible collateral, a further € 2.4 B of credit assets accepted as eligible by Banco de Portugal were incorporated into the global pool of discountable assets. Together with the two debt issues referred to above, this compensated the loss of eligibility of other assets like, for example, the "Caravela 1" securitization (€ 700 M) or the "Magellan 5" and "Magellan 6" securitizations (€ 1.2 B).

The success of the deleveraging effort resulted a commercial gap reduction of € 3.2 B in Portugal, allowing not only for the amortizing of the medium/long term debt that had attained its maturity (€ 3.3 B) but also for two liability management operations that materialised in the anticipated repayment of an additional € 1.4 B. Added to other repurchase transactions, this totalled € 4.9 B in the first semester. The inflow of € 3.0 B from the issuance of Core Tier 1 hybrid instruments subscribed by the State compensated this high level of debt amortization and allowed for a material reduction in the ECB funding (from € 12.7 B to € 11.3 B).

On the other hand, it was possible to significantly change the term profile of the Bank's wholesale funding, through the use of the second ECB medium-term liquidity ceding operation, which allowed for an increase in the total amount funded with up to 3 years maturity, from € 5.1 B to € 12.1 B.

Until the end of this year, another € 2.1 B (at least) are expected to be incorporated into the pool of ECB-discountable assets, through credit assets and with an issue of covered bonds, in parallel with a continuing reduction of the commercial gap. The debt amount to be repaid in the 2nd half of 2012 is not significantly material (€ 600 M), which is also the case for 2013 (€ 1 B).



The Group's wholesale funding structure is defined for each annual period by the Liquidity Plan, which is an integral part of the budgeting process, being formulated at consolidated level and for the main subsidiaries of the Group. The setup of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously along the year, being revised whenever necessary or advisable.

The table below illustrates the wholesale funding structure, as at 30 June 2012 and 31 December 2011, in terms of the relative importance of each instrument used:

Liquidity breakdown

(Wholesale funding)

	30-Jun-12	31-Dec-11	Weight difference
MM	1,5%	0,0%	1,5%
BCE	46,5%	46,8%	-0,3%
Core Tier 1 hybrid instruments	12,4%	0,0%	12,4%
Commercial Paper	7,1%	5,3%	1,9%
Repos	0,3%	3,1%	-2,9%
Loan agreements	4,2%	4,3%	-0,1%
Schuldschein	1,4%	1,4%	0,0%
EMTN	16,3%	25,8%	-9,5%
Equity swaps	0,3%	0,4%	-0,2%
Covered bonds	8,8%	11,5%	-2,8%
Subordinated debt	1,3%	1,3%	0,0%
TOTAL	100,0%	100,0%	-

Liquidity risk control

The control of the Group's liquidity risk, for short term time horizons (up to 3 months) is carried out daily based on two internally defined indicators - the immediate liquidity indicator and the quarterly liquidity indicator - which measure the maximum fund-taking requirements that could arise cumulatively over the respective time horizons, considering the cash flow projections for periods of 3 days and of 3 months, respectively. These indicators, for the first half of 2012, are presented in the following table:

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis, by the identification of all the factors underlying the variations that have occurred.

The Group controls its structural liquidity profile through the regular monitoring, by its management structures and bodies, of a set of indicators defined both internally and by regulations, aimed at characterising liquidity risk, such as:

- The loans-to-deposits ratio;
- The medium term liquidity gaps; and
- The wholesale funding coverage ratios, by highly liquid assets (HLA).

As at 30 June 2012 and 31 December 2011, these indicators were as follows:

Liquidity control indicators

	Reference value	Jun 12	Dec 11
Immediate liquidity indicator (a)		0,0	0,0
Quarterly liquidity indicator (a)		0,0	0,0
Accumulated net cash-flows up to 1 year as a % of total accounting liabilities	Not less than (- 6 %)	7,8%	-1,6%
Liquidity gap as a % of illiquid assets	Not less than (- 20 %)	-4,0%	-8,2%
Loans to Deposits ratio	Not above (b)	129,2%	134,8%
	150% (c)	137,7%	144,8%
Wholesale Funding coverage ratios by Highly Liquid Assets (HLA)			
Up to 1 month	> 100 %	289,9%	132,2%
Up to 3 months	> 85 %	186,9%	96,4%
Up to 1 year	> 60 %	143,4%	87,6%

(a) Null values represent positive treasury positions (net of Highly Liquid Assets)

(b) Considering Balance-Sheet Structured Products equivalent to deposits

(c) As defined by Banco de Portugal's Instruction no. 23/2011, from 2011/09/26

Capital and Liquidity Contingency Plan

The Capital and Liquidity Contingency Plan (PCCL) defines the priorities, responsibilities and specific measures to be undertaken in the event of a situation of a liquidity contingency. This plan is reviewed at least once a year.

The PCCL states, as its objective, the maintenance of a balanced liquidity and capital structure, also establishing the need for the continuous monitoring of market conditions, as well as lines of action and triggers aimed at a timely decision-taking in adverse scenarios, either anticipated or observed.

The PCCL defines a composite indicator (29 variables) of the main parameters identified as advanced indicators of liquidity stress situations that can affect the Group's liquidity situation. This indicator is calculated in the last week of each month and its evolution is followed-up by the Executive Committee, the Group CALCO and the Group Treasurer.

Pension Fund risk

This risk stems from the potential devaluation of the assets of BCP's Defined Benefit Pension Fund or from a decrease in its expected returns. Given such a scenario, the Group has to make unplanned contributions in order to maintain the benefits defined by the Fund.

The regular monitoring of this risk and the follow-up of its management lies with the Pension Funds Sub-Commission.

At the end of the semester, the remaining amount corresponding to pensions being currently paid was liquidated, in compliance with Decreto-Lei 127/2011, from the 31st of December.

Up to 30 June 2012, the Pension Fund registered a net return of -4.06%, mainly justified by the negative performance of its equities component that had an accumulated return of -10.25%.

Business and strategic risk

This type of risk materialises as negative impacts on net income and/or capital, arising from decisions with adverse effects, from the implementation of inadequate management strategies or from the inability to respond effectively to market changes.

The variation of the stock market price of the BCP share is a relevant indicator for the measurement of this type of risk, with its quantification being made under the internal model used to assess the needs of own funds and its allocation to the various business areas (Internal Capital Adequacy Assessment Process - ICAAP).

Under this perspective, the calculation of the economic capital required to cover this type of risk is based on the evolution and price levels of the BCP share, after deduction of the external influence of the stock market which is estimated from a time series of share prices of the largest banks listed at Euronext Lisbon.

EXPOSURE TO ACTIVITIES AND PRODUCTS AFFECTED BY FINANCIAL CRISIS

The Group's portfolio does not have any exposure either to the US subprime/Alt-A mortgage market, namely through Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Asset-Backed Securities (ABS) or Collateralised Debt Obligations (CDO), or monoline type insurers.

The Group carries out transactions with derivatives fundamentally to hedge structured products for Customers (guaranteed capital and other products), risks stemming from the Bank's day-to-day business, essentially including hedging interest rate risk and exchange rate risk. The trading activity of the Group's own portfolio in derivatives is immaterial insofar as Group profits or risk exposure is concerned.

Over the years, the Group has carried out securitisation operations based on loans to individuals - mortgage loans and consumer credit - and also on loans to companies. Credit securitisation is used as a liquidity and capital management tool, aimed at financing the Group's business and, under certain circumstances, to release capital. The Group has no exposure to Special Purpose Entities (SPE) other than that arising from its own securitisations and normal credit business, as described in the Notes on Accounting Policies and on Customer Loans and Advances of the Consolidated Financial Statements. Furthermore, the accounting policies relative to SPE and securitisations have not been altered over the past 12 months.

The international financial crisis revealed structural imbalances in State expenditure in many jurisdictions of the world, including Greece, Ireland and Portugal. As at 30 June 2012, the Group's net exposure to Portuguese sovereign debt was 4.7 billion euros, net exposure to Greek sovereign debt was 47 million euros, net exposure to Irish sovereign debt was 0.2 billion euros, the net exposure to Italian sovereign debt was 50 million euros and the net exposure to the Spanish sovereign debt was 4 million euros, amongst which almost 2.8 billion euros was recorded under the portfolio of financial assets held for trading and available for sale and 2.2 billion euros under the portfolio of financial assets held to maturity. Further information on exposure to the sovereign debt of countries of the European Union in bailout situation is presented in Note 57 of the Consolidated Financial Statements.

The Group's accounting policies are described in Note 1 of the Notes to the Financial Statements, included in the Accounts and Notes to the Accounts of the first half of 2012. Further information on the valuation of financial assets and risk management is presented in the Notes on Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity; Fair value reserves, Other reserves and Retained earnings; Fair value and Risk Management in the Report referred to above.

MAIN RISK FACTORS

This section highlights the risks that are most significant and capable of affecting the Bank's activity in 2012, and might lead to the future results of the Group diverging materially from the expected results. However, other risk factors could also adversely affect the results of the Group. Hence, the risk factors presented below should not be perceived as an exhaustive and complete statement of all the potential risks and uncertainties which could constrain the Bank's activity in 2012. The main risks identified are of two types:

EXOGENOUS

- High sensitivity to the evolution of the Portuguese economy;
- Uncertainty as to the resolution of the sovereign debt crisis;
- Downgrade of the ratings of the Portuguese Republic;
- Changes in the banking activity legal framework;
- Capability of funding in wholesale funding markets constrained for an undetermined period;
- Deterioration in conditions of access to liquidity refinancing operations by the ECB;
- Maintenance of sovereign debt risk (Portugal) at high levels;
- Contagion effect / Adverse behaviour of the capital markets;
- Restrictiveness of the regulatory framework (new regulatory requirements aimed at strengthening the solidity and stability of the financial sector);
- Exceptional framework to shield the mortgage holders in severe financial stress;
- Uncertainty regarding the final requirements and implementation of Basel III;
- Non-sustainability of debt dynamics (poor results of public finance and external deficit);
- Intensification of the competitive sectorial environment;
- New budgetary consolidation measures which increase the tax burden for the bank sector and/or on financial instruments.

ENDOGENOUS

- Reduction of own funds through increased actuarial losses of the Pension Fund;
- Volatility caused by the Bank's credit risk;
- Downgrade of BCP's ratings;
- High dependence on ECB funding;
- Impact in capital of the deterioration of the Greece' financial condition;
- Concentration of the loan portfolio;
- Fall in stock markets and/or corporate debt markets;
- Sharp deterioration of credit quality and increase in overdue loans;
- Devaluation of local currencies in the Group's operations outside the Eurozone;
- Devaluation in real estate market;
- Reputation risk;
- Compliance risks
- The Bank's interest rate risk is historically high, making it vulnerable to increased rates;
- Decision of the authorities or courts against the Bank's interest in administrative offences;
- Contingencies in the implementation of the Bank's strategy;
- Operational risks.

EXOGENOUS RISKS

High sensitivity to the evolution of the Portuguese economy

The evolution of the Portuguese economy has a great impact on the Group's business, its financial situation and respective net income. In the current context, particular note should be made of the constraints arising from the implementation of the "PAEF", the systemic effects of the European sovereign debt crisis, the agreed institutional commitments relative to the government of the Economic and Monetary Union, apart from, naturally, the global economic and financial environment. The economic context appears to be particularly demanding for Portugal. The transition of additional budgetary liabilities for 2012, the persistence of major instability in international financial markets, the extreme difficulty of capturing external funding under regular conditions, the process of reduction of private and public sector debt, the implementation of structural reforms in the labour and product/service markets, and the pressure on the real disposable income of families and companies, represent a very adverse context for economic activity, where a GDP contraction of 3.4% is forecast for 2012 followed by stagnation in 2013, with a strong negative contribution of internal demand (Source: Banco de Portugal, March 2012). Lower economic performance cannot be excluded in view of the high level of uncertainty surrounding the success and enforcement of the structural adjustment and risk of more significant slowdown of external demand. The adverse macroeconomic conditions in Portugal have significantly affected, and will continue to affect, the behaviour and financial situation of the Bank's customers and, concomitantly, the demand and supply of the products and services offered by the Bank. In particular, constrained growth of loans is expected for the following years, hindering the creation of revenue supporting net interest income. The unemployment, reduction of business profitability and increased insolvency of legal ad natural persons has and will continue to negatively influence the customers' capacity to repay loans and, consequently, might lead to increase the overdue debt ratio, which is already at historically high levels, reflecting a deterioration of the quality of the Bank's assets.

Uncertainty as to the resolution of the sovereign debt crisis

The financial crisis of 2007/2008 exacerbated the budgetary imbalances of various European countries due to the need for additional government intervention to support economic activity and stabilise the financial systems. The response to the crisis has assumed a transversal dimension affecting various areas - relations and cooperation between member states, reformulation of supervisory mechanisms, common fiscal measures, regulation of the financial system, mechanisms of emergency financial support to member states, and adoption of exceptional mechanisms concerning monetary policy. In a certain sense, these reforms constitute a profound review of the operating model of the Monetary Union, whose solutions have not always been consensual or given rise to the intended outcomes. Accordingly, in spite of the recent agreements signed with the European Union and the Economic and Monetary Union, in particular, the intergovernmental agreement on the budget package, the revised plan of financial assistance to Greece and the additional use of unconventional monetary policy measures, uncertainties still remain as to the resolution of the sovereign debt crisis and stability of the Euro, unfavourably affecting the economic and financial environment faced by the Portuguese economy.

Downgrade of the ratings of the Portuguese Republic

The rating agencies Standard & Poor's, Moody's, Fitch and DBRS have, on more than one occasion over recent months, downgraded the long term rating of the Portuguese Republic. All four agencies have placed the rating prospects of the Portuguese Republic in negative outlook, even after the cuts carried out, due, essentially, to the uncertainties and risks arising from the budgetary consolidation process under the Economic and Financial Stability Programme ("PAEF"), the low competitiveness of the Portuguese economy abroad, the external funding difficulties and the sustainability of the public debt dynamics. The outlook of the rating agencies for the Portuguese Republic is thus dependent on the successful implementation of the measures included in the PAEF. There might be a new downgrade of the rating of the Portuguese Republic in the future, namely in the case of drastic deterioration of the public finance situation arising from weaker performance of economic activity, caused by the austerity measures adopted internally or induced by the contagion effect as a consequence of the slowdown of the activity of the main trading partners of the Portuguese economy, in particular Spain, or if these measures are perceived as insufficient or as a result of the lack of success of the process of deepening structural reforms, simplification of State administration and streamlining of the Justice system.

Changes in the banking activity legal framework

The Group conducts its business in accordance with the applicable regulations and subject to the associated regulatory risks, including the effects of amendments to laws, regulations and policies in Portugal and other countries in which the Group operates. As a result of the current environment and recent market events, the regulatory entities, Portuguese and international, including the European Union, have considered significant

alterations to the regulatory framework, particularly in relation to capital adequacy and the scope of bank operations. As a result of these and other alterations in progress and, possibly, future alterations in the regulatory framework of financial services, the Bank may face tighter regulation which implies specific and relevant conditions for the development of the Bank's regular activity.

Capability of funding in wholesale funding markets constrained for an undetermined period

The economic and financial adjustment programme agreed between Portugal and the joint mission of the EU and IMF establishes the institutional funding of a significant portion of public funding needs for the next three years and institutes exceptional financing and recapitalisation mechanisms for financial institutions. However, the adjustment programme indicates, as important assumptions, autonomy in the refunding of short term public debt and the gradual and medium term use of market funding by private and public entities. Furthermore, the perception of the risk is not exclusive of financial markets, but is also implicit in the various contractual conditions and commercial practices observed in normal relations between resident and non-resident companies. Consequently, and notwithstanding the financial assistance package, the evolution of overall financial conditions, in particular those practised in markets of the euro zone, are not irrelevant for the Portuguese economy: they exercise a direct influence on the cost of short term debt and indirectly through the evolution of the expectations of economic agents relative to the success of the Portuguese economic adjustment programme, with repercussions on the development of the business climate. Hence, the Portuguese economy and its financial system are vulnerable to the effects arising from the settlements adopted at an institutional level for the problem of the sovereign crisis of the periphery of the euro zone or, in the opposite direction, due to the volatility in the financial markets arising from the absence of such agreements. The persistence of the adverse funding conditions in markets, or their possible aggravation, increases the degree of difficulty of the current economic and financial adjustment process, hindering the evolution of banking business and, consequently, the profitability and solvency of national financial institutions.

Deterioration in conditions of access to the liquidity refinancing operations by the ECB

The ECB has been one of the sources of funding most used by the national banking system during this phase of inability to obtain funding on wholesale funding markets, reflected in high dependence on funding from the ECB, which, by the end of 2011, reached [] billion euros (net use), corresponding to []% of the Bank's liabilities. By the end of the first half of 2012, Millennium bcp had a total of [] billion euros of eligible assets for discount at the ECB, of which [] billion euros are available. The reduction of the pool of eligible assets, reflecting the erosion of collateral following the downgrades of the rating agencies and the possible difficulty in managing eligible assets to compensate the erosion arising from the loss of eligibility will have a negative impact in terms of liquidity, forcing a search for alternative funding sources and acceleration of the deleveraging of the Balance Sheet, which might have a negative impact on the Bank's activity, financial situation and net operating income. It is important to emphasise that the ECB has shown, especially in the last few months, greater willingness to support the European banking system, where particular note should be made of the extension, in December 2011, of the maximum period of its funding to banks to 3 years aimed at reducing the liquidity risk of the sector in the euro zone, the simplification of the rules relative to collateral and the reduction of minimum reserve requirements to half. These measures of temporary nature are included in the ECB/2011/25 Decision of 14 December 2011 on additional measures of temporary nature related to the refinancing operations of the Eurosystem and the eligibility of assets as collateral, in which is stipulated in Article 4. ° that the "National Central Banks may accept as collateral for monetary policy operations of the Eurosystem credit claims that do not meet the eligibility criteria of the Eurosystem." These measures contributed to mitigating the effects of a possible loss of eligibility in the pool of eligible assets. In parallel, the Bank is implementing some measures to diversify their funding sources beyond the ECB and has also accelerated the deleveraging process, making an effort to increase customers funds and to reduce loans to customers, which may present a risk of increasing cost of deposits and, if not accompanied simultaneously by the process of repricing of loans, may adversely affect net interest income and the results of the Bank. These criterion might be changed in the future and consequently reduce the possibility of carrying out these funding operations.

Maintenance of sovereign debt risk (Portugal) at high levels

Although the Portuguese financial system has shown great resilience since the beginning of the economic and financial crisis, having ensured the normal funding of the economy during this period, the tensions associated to the sovereign debt crisis and to the constrained access to international wholesale funding markets have exerted major restrictions on banking activity, forcing the institutions to resort to funding from the ECB and to the intensification of the attraction of funding from more stable domestic sources. In this context, the management of liquidity risk has gained increasing importance. The group has adopted some measures through its risk management policies since 2008, which seek to mitigate the adverse impact of the unfavourable liquidity circumstances of the markets, by reducing the commercial gap (balance sheet customer loans-funds), strengthening the attraction of deposits, sale of non-strategic assets and recomposition of assets, through the

increase of highly liquid assets. Under the Group's overall liquidity management strategy, there has been more careful granting of loans and focus on the obtaining of funds with the objective of reducing the commercial gap. The Bank, whenever permitted by market conditions, will obtain its funding from interbank and capital markets according to its needs. Although the Bank considers that its liquidity risk management and mitigation policies are suitable, the extension of the market circumstances and continuation of sovereign debt risk at high levels might penalise the Group's liquidity position, both through funding difficulties and via reduction of the pool of assets eligible for discount at the ECB, in addition to the funding costs of the activity, with negative impact on the financial situation and loan quality of the BCP Group.

Contagion effect / Adverse behaviour of the capital markets

The uncertainty regarding the duration of the current international financial crisis will continue to penalise the evolution of the capital markets and maintain or aggravate the already high risk aversion, reflected in the existence of market risk related to the evolution of stock prices, penalising the evolution of fees on stock exchange and asset management operations, the net income of financial operations and other income and, also the value of financial holdings and securities portfolios. The concomitant depreciation of the value of financial collateral, risk premium associated to operations in different markets and yields of pension funds might negatively affect the Bank's net income and solvency ratios. The uncertainty of the opening of the capital markets to the national banking system, to return to being a source of funding of the sector, will contribute to increased pressure on the balance sheet deleveraging process and maintenance of excessive dependence on funding from the ECB.

Restrictiveness of the regulatory framework (new regulatory requirements aimed at strengthening the solidity and stability of the financial sector)

As a consequence of the persistence of the sovereign debt crisis at a European level and the internal economic and financial crisis, there has been government intervention aimed at mitigating their effects, and it is expected that considerable increase in the regulation of the financial service sector will continue, in addition to those that have already taken place, materialised in the establishment of higher capital requirements, more strict standards of communication duties and restrictions to certain types of transactions. New regulations could imply that Banco Comercial Português needs more capital or that the rates or fees it charges on certain loans or other products are altered, where any of these events could have adverse material effects on the Group's financial situation and net income of its operations. The BCP Group may also face increased compliance costs and limitations to its capacity to pursue certain business opportunities.

Exception regime for the protection of mortgage lenders in serious economic failure

Following the current crisis, and as a result of the same, there has been an increase of the delinquencies of customers in its loans repayment and an increase in overdue loans, the most sensitive area is mortgage loans for the social and human problems that underlie to it. In this perspective, it were already presented some legislative initiatives, it is expected that others will occur as well as actions of self-regulation for the presentation of measures for restructuring of debts arising from loans granted to purchase or build their own permanent housing. Although some banks have already unilaterally adopted several actions in this regard, it is expected the entry into force of measures for the entire Portuguese banking system. The implementation of these legislative initiatives, regulations and/or self-regulation could lead to limits on the levels of commissioning and spreads applicable, as well as strengthening of impairment charges for the bank loans portfolio, whose impact will arise from the amplitude of the criteria for access to a regime that might be adopted, as well as the possibility of it being able to contemplate the obligation of credit institutions to accept repossessed assets as a settlement of their claims.

Uncertainty regarding the final requirements and implementation of Basel III

On 12 September 2010, the Basel Committee on Banking Supervision announced a new agreement, known as Basel III, which reviews most of the minimum requirements relative to capital and liquidity. This agreement has stricter capital requirements that will be applied over a transition period in order to attenuate their impact on the international financial system. The minimum capital requirements for Core Tier I capital (which does not include hybrid capital) will gradually increase from 2% of risk-weighted assets to 7% of risk-weighted assets by 2019. The total solvency ratio will increase from 8% to 10.5% between 2016 and 2019. Further alterations include: i) a progressive increase of the common equity ratio from 2% to 4.5% by 2015; ii) a progressive increase in the Tier I ratio from 4% to 6% by 2015; iii) the additional requirement of a capital conservation ratio of 2.5% on common equity, with phased implementation from 2016 to 2019 and the application of restrictions on bank capability to pay dividends or make other payments, to be defined, if the capital is below the common equity ratio and capital conservation ratio; iv) a buffer of anti-cyclical capital, which will stand at between 0%

and 2.5% of risk-weighted assets, with loss absorption properties, according to the credit cycle phase pursuant to its application by the national supervisory authorities; v) the leverage ratio will be tested for a non-adjusted ratio of risk of 3%. Furthermore, the Basel III regime also contains stricter requirements relative to the quality of the capital that may be considered Core Tier I capital and for the calculation of risk-weighted assets. The full implementation of Basel III is forecasted only for the end of 2019. It is expected that the main impacts of Basel III on consolidated capital ratios will be related to deferred tax assets, deficit of the value of impairments for expected losses, Pension Fund corridor, minority holdings in consolidated subsidiaries, significant holdings in non-consolidated financial institutions and in the increased capital requirements for market and counterparty risks.

On 13 January 2011, the Basel Committee issued "Minimum requirements to ensure loss absorbency at the point of non-viability", which suggests some specific rules for internationally active banks. The rules require that all additional Tier I and Tier II instruments issued by internationally active banks must include, with certain exceptions, a provision in their terms and conditions requiring that they should be written-off when particular circumstances occur. If these rules were to be implemented in Portugal, the Bank would be subject to them. If the proposal were implemented in its current wording, this could affect the price of the additional Tier I and Tier II instruments issued by the Group in the future. In addition to these requirements, institutions identified as systemically relevant at a worldwide level might be subject to even more demanding and restrictive requirements. While it is not foreseen that national banks will be classified as systemically relevant at a global level, there are, however, proposals that this principle should also be applied at a local level. In this case, in view of the Bank's dimension in the national banking system, a classification of this nature could imply additional costs for the development of business activity.

In addition to these requirements, institutions identified as systemically relevant at a worldwide level might be subject to even more demanding and restrictive requirements. While it is not foreseen that our national banks will be classified as systemically relevant at a global level, there are, however, proposals that this principle should also be applied at a local level. In this case, in view of the Bank's dimension in the national banking system, a classification of this nature could imply additional costs for the development of business activity.

Some uncertainty remains concerning the final requirements and implementation of Basel III. If these measures were to be implemented as currently proposed, it is expected that there would be a significant impact on the capital and on the management of the assets and liabilities of the Group. Consequently, this could have an adverse effect on the results, financial condition and prospects of the Group.

Banco de Portugal (Notice number 7/2011 and Instruction number 28/2011) determined penalisation in the calculation of the capital ratios applicable to situations where the remuneration of deposits exceeds a specified limit defined in accordance with the Euribor rates. Although this measure contributes to counteract the trend of increased deposit remuneration rates and pressure on net interest income in a context of scarcity of funds and major instability in international funding markets, the effort of attraction of stable long term financial resources might imply a double impact on yields and, consequently, on capital.

Non-sustainability of debt dynamics (poor results of public finance and external deficit)

The continuation of the adverse macroeconomic environment and the possible inability of the Republic of Portugal to meet the commitments assumed under the Economic Adjustment Programme, which, combined with the non-opening of the capital/debt markets, might lead to the need of additional external assistance. This scenario, of increased risk and uncertainty, would exert pressure on the Bank to seek possible alternative funding sources, as well as the need to accelerate/review its Funding and Capital Plan and add new eligible assets to its pool of assets eligible for discount at the ECB.

Intensification of the competitive sectorial environment

The Portuguese banking market is resilient and extremely developed, containing strong national and international competitors which follow multiproduct, multichannel and multisegment approaches. In a very adverse economic context, with pressure to deleverage balance sheets and reduce loan granting, many Portuguese banks are dedicated to increasing their revenue through an increase in their respective market shares and cross-selling, which has led to more aggressive commercial strategies. It is also expected that there will be an intensification of the trend of integration of financial services at a European level, which could contribute towards increased competition, especially in the areas of asset management, investment banking, online brokerage services and remote financial services. The highly competitive level of the sector in Portugal and in other countries where the Bank operates, implies the existence of business and strategic risk, which could lead to the eventual loss of market share in some products and/or business segments, difficulty of adjustment of spreads to credit risk, decreased net interest income, fees and other revenue and penalise the evolution of revenue, net income and net worth.

New budgetary consolidation measures which increase the tax burden for the bank sector and/or on financial instruments

The Bank might be adversely affected by changes in the tax legislation and other regulations applicable in Portugal, the European Union and other countries in which it operates, as well as by alterations of interpretation, by the competent tax authorities, of this legislation and these regulations, which might have a negative impact on the Bank's activity, financial condition and results. The measures that the Portuguese State intends to implement, aimed at ensuring budgetary consolidation, stimulating the economy and supporting the banking sector, might lead to an increase in tax costs, through increased tax incidence and/or decreased tax benefits in the different areas of tax incidence, and to greater constraints of the applicable pricing, which could have a directly negative impact on the Bank's net income and business volumes.

ENDOGENOUS RISKS

Reduction of own funds through increased actuarial losses of the Pension Fund

The Group has undertaken the liability to pay its employees pensions upon retirement or due to disability and other liabilities, complying with the terms established in the Collective Labour Agreement of the Banking Sector (ACT). The Group's liabilities are essentially covered by the Pension Fund of Banco Comercial Português managed by PensõesGere - Sociedade Gestora de Fundo de Pensões, S.A..

Following the Government's approval through Decree-Law 127/2011, published on 31 December, a Tripartite Agreement was established between the Government, the Portuguese Association of Banks and the Unions of bank employees on the transfer, to Social Security, of the liabilities related to pensions paid to current retired employees and pensioners.

This decree established that the liabilities to be transferred correspond to the pensions being paid as at 31 December 2011, at constant values (0% updating rate) of the component laid forth in the Collective Labour Regulation Instrument ("IRCT") of retired workers and pensioners. The liabilities relative to the updating of pensions, supplementary benefits to pensions to be undertaken by Social Security, contributions to the Bank's Social Health Assistance Service ("SAMS") for retirement and survivors' pensions, death grants and deferred survivors' pensions continue to be the responsibility of the Institutions with the funding being ensured through their respective Pension Funds. The abovementioned Decree-Law also establishes the terms and conditions under which the transfer was carried out, defining a discount rate of 4% to determine the liabilities to be transferred.

The impacts of the transfer of the liabilities include:

- A negative impact of 1.024 billion euros before taxes in the Bank's equity as of 31 December 2011, associated with the liabilities in respect to the change to the accounting policy related to the recognition of the actuarial gains and losses associated to liabilities with pensions transferred to Social Security and EUR 117 million related with the cost of the transfer of the liabilities related with pensions to Social Security are in net results. The transaction implied a negative impact of 74 b.p. to the regulatory capital as of 31 December 2011, which was recognised in June 2012, as a result of a decision made by the Banco de Portugal.
- A reduction to the Bank's liabilities with pensions of 53%, which means that the Bank's vulnerabilities associated with the market risk inherent to the Pension Fund is also reduced. This risk has penalised the Bank significantly in the recent past, especially considering the adverse economic and financial environment. The Bank has sustained accumulated actuarial losses of EUR 1.7 billion up to 2011 and 2009 was the only year where no actuarial losses occurred.

The transferred liabilities were determined based on actuarial assumptions that are different from those used by the Group, namely with respect to the discount rate (4%) and the mortality table (TV 88/90 for women and TV 73/77 aggravated by one year for men). These assumptions were determined under the assumption of a liquidation of liabilities (exit value) since this involves a definitive and irreversible transfer of these liabilities. This implies differences when compared with the assumptions used in the determination of the liabilities reflected in the financial statements prepared in accordance with the requirements of IAS 19 - Employee Benefits. The total value of the transferred liabilities reached 2.7 billion euros. The financial settlement of 55% of the operation, the value of 1.5 billion euros, took place before 31 December 2011, and the remaining value was transferred by the end of June 2012.

The liabilities related to retirement pensions had been totally funded at levels above the minimum limits defined by Banco de Portugal, presenting a coverage level of 105% at the end of the first half of 2012. As of 30 June 2012, the liabilities related to the pension and other employee benefits reached 2.4 billion euros, compared with 2.5 billion euros recorded as of 31 December 2011 and 5.2 billion euros recorded as of 30 June 2011.

In the first half 2012, the Pension Fund recorded a negative rate of return of 4.1% following the adverse behaviour of the markets and, in particular, of the performance of the capital market in Portugal.

IAS 19 permits the use of alternative criteria for the accounting treatment of actuarial deviations. Previously, the Group had adopted the corridor method, where unrecognised actuarial gains and losses which exceeded 10% of the greater value between the present value of the defined liabilities and the fair value of the Fund's assets were recognised against profit or loss according to the estimated remaining working life of the active employees.

Considering that IAS 19 Employee Benefits enables the use of the method of direct recognition in equity of actuarial deviations, the Group decided in 2011 to alter its accounting policy, and now recognises the actuarial

deviations for the year against reserves. According to IAS 8, this alteration of accounting policy is presented for comparative effect as of 1 January 2010, whereby the entirety of the deferred actuarial deviations is recognised under equity on that date. Hence, as of 31 December 2011, inclusively, the Group no longer records actuarial deviations in the Balance Sheet.

For prudential effects, Banco de Portugal authorised the maintenance of the corridor for the liabilities not transferred to Social Security as well as the amortisation method defined previously for deferred adjustments related to the pension fund (Extended corridor), with the exception of those arising from actuarial losses recorded in 2008, of the value corresponding to the liabilities transferred to Social Security. As at 31 December 2011, the value of the corridor relevant only for prudential effects reached 240 million euros.

The level of coverage of Pension Fund liabilities of the Bank could turn out to be insufficient. If the deterioration of global financial markets leads to lower investment income and, consequently, lower value of the fund, this would result in the statement of actuarial losses for the year, which are recognised against reserves for the year when they occur.

Since the liquidation of the transferred liabilities is carried out in cash or public debt valued at market prices, the remaining assets in the Pension Fund corresponding to non-transferred liabilities might be considered at higher risk and therefore, depending on the evolution of the financial markets, might lead to actuarial deviations.

In the future, the Bank cannot guarantee that alterations will not take place in the actuarial assumptions relative to the pension fund. These alterations in the assumptions could lead to increased actuarial differences.

The partial transfer of pension liabilities for the Social Security held at the end of 2011 despite it lower some risks, as it reduces the value of the commitments that the Bank will have to satisfy the future, had significant adverse impacts in the short term, particularly in terms of liquidity, to the extent that the Bank has to acquire assets for the pension fund will provide sufficient liquidity to meet the conditions of transfer of ownership of the aforementioned responsibilities.

Downgrade of BCP's ratings

The ratings assigned to BCP reflect, apart from the evolution of the rating of the Portuguese Republic, a series of intrinsic factors. In terms of capital, BCP has issued recently 3 billion euros of Government Subscribed Core Tier 1 Capital Instruments and will to make a share capital increase underwritten by the Portuguese Estate in the amount of 500 million euros. In terms of results, the evolution of BCP will be constrained, essentially, by the evolution of the Portuguese and Greek economies. The rating agencies also consider the deterioration of the quality of the loan portfolio to be an additional risk factor, essentially related to its exposure to the SME sector in Portugal and to its risks (BCP is the bank with the largest market share in this segment), and also refer to the Bank's exposure to public debt. Finally, the rating agencies consider, as an additional risk factor, the high dependency on wholesale funding and funding from the ECB, as well as the need to reduce the ratio of loans to deposits so as to reach a ratio of 120% by 2014. Since the wholesale funding markets are practically closed to the Portuguese Republic and to the national banking system under conditions considered suitable, the maintenance of the trend observed during 2011 of downgrading of the ratings could contribute, for example, to the erosion of the collateral eligible for funding at the ECB (requirement of higher haircuts), as well as more restrictive access to funding, at a higher cost. In order to overcome this situation, the Bank might need to accelerate its deleverage process and reduce its activity, with a negative effect on its net income. The credit ratings of the Bank may be revised at any time and show positive, stable or negative outlooks, depending on the rating agencies' assessment of the Bank's credit-worthiness. These outlooks constitute indications or suggest the direction of future rating actions. Indeed, there is no guarantee that the Bank will not be subject to downgrades in the near future. In fact, the credit conditions of the Portuguese banking system, which influence the credit risk of Portuguese banks, might result in an expectation of deterioration of credit risk. Furthermore, the ratings of debt deposits of Portuguese banks are dependent on the ratings of the Portuguese Republic and, consequently, might vary as a result of the alteration of the ratings of the Portuguese Republic. The ratings of the Portuguese Republic are a key element in determining its capacity to support the banking system. The Bank's capacity to successfully compete in the deposit market depends on various factors, including financial stability, namely net operating income and credit ratings attributed by recognised rating agencies. In this regard, a reduction in the credit rating could affect the Bank's ability to obtain funding and could have an adverse effect on its activity, financial situation and net income.

High dependence on ECB funding

Currently, the national banking system has limited access to international debt markets, thus showing high dependence on funding from the ECB, which, by the end of the first half of 2012, reached 11.3 billion euros, corresponding to 12.7% of the Bank's liabilities. The objective of the Millennium bcp is to reduce this

dependency in the short/medium term, therefore, it is committed in continuing the deleveraging process and reducing the Loans-to-Deposits ratio to less than 120% by the end of 2014. It is important to stress that, under the current context, the review of the conditions of assignment of liquidity by the ECB could lead to the Bank being forced to dispose of its assets, with a potentially significant discount in relation to their respective book value, in order to comply with the Bank's liabilities, and corresponding negative impact on capital and net income.

Impact in capital of the deterioration of the Greek's financial condition

The continued economic downturn or deterioration of the financial situation in Greece or a deteriorating outlook for the performance and financial condition of Millennium bank in Greece may lead to an additional impairment in the Group's consolidated accounts, resulting from the deteriorating assets quality held by Millennium bank in Greece. The deteriorating situation in Greece, may affect the evolution of net interest income, in the context of the reduction of activity level (less loans and reduced customers deposit base), which along with the increase of overdue loans could result in a more negative net income. As a result of the deterioration of economic environment in Greece, the overdue loans over 90 days of Millennium bank stood at 9.0% of gross loans as at 30 June 2012. Faced with an economic and financial environment very demanding and subject to high uncertainty, the trend of unfavourable evolution of overdue loans will continue and compromise the results of Millennium bank in Greece and by extension the Group's consolidated results and its position in terms of capital. Faced with an economic and financial environment very demanding and subject to high uncertainty, the unfavourable trend in non-performing loans will continue and compromise the results of Millennium bank in Greece and, by extension, the Group's consolidated results and its position in terms capital. There has been during the first half of 2012 to an erosion of the volume of deposits in the Greek market, which represents the continuation of a trend observed in 2011, with more emphasis in the second half of the year. This trend has been reduced, following the outcome of the elections in Greece. The party of New Democracy won the 2nd round of elections in Greece, held on June 17, 2012, and began immediately talks to form a coalition government, which was formed on June 20 in conjunction with the PASOK and Dimar (left democratic, moderate). The new coalition government has a specific mandate to amend, supplement and implement a program of fiscal and structural reforms. The success of the pro-Euro in Greece means that despite the risk of leaving the euro has mitigated the uncertainty surrounding Greece and the reformulation of the program of economic and financial stability is still a issue. The effort required in terms of pricing necessary to prevent further output the Greek banking system deposits strongly affect the evolution of net interest income and the bank's results.

Concentration of the loan portfolio

The Bank is exposed to the credit risk of its Customers and counterparties and, in particular, to the risk arising from the high concentration of the individual exposure of its loan portfolio. The 20 largest individual loan exposures represented, as at 30 June 2012, 9.9% of the total loan portfolio, corresponding to a relatively high value, which, together with the high credit exposure to the civil construction sector, contributes to raising exposure to the credit risk. This problem is common to most of the main Portuguese banks, in view of the small size of the Portuguese market, and has been greatly noted by the rating agencies as a fundamental challenge facing the Portuguese banking system. The rating agencies have been particularly critical in relation to BCP's concentration of its exposure in larger Customers and, especially, of the exposure to Shareholders, contributing to make the rating sensitive to the evolution of these variables. Although the Bank carries out its business based on strict risk control policies, in particular of credit risk, seeking to increase the degree of diversification of its loan portfolio, it is not possible to guarantee that the exposure to these groups will fall significantly in the short and medium term.

Fall in stock markets and/or corporate debt markets

The income obtained from the Group's financial investments form an important part of the consolidated profitability, particularly in the case of the asset management business developed by Millennium bcp Gestão de Activos, the life insurance branch developed by the joint venture Millenniumbcp Ageas and investment banking. A sharp depreciation in global capital markets could affect the sales of some products and services, namely unit-linked products, capitalisation insurance, mutual investment funds, asset management services, brokerage, primary market issues and investment banking transactions, and significantly reduce the fees related to them. As a minority shareholder of Millenniumbcp Ageas, there is a risk of the Bank being called up to inject capital into this company if the solvency ratio of the company falls below a certain predefined level, for example, as a result of insurance product derivative bonds with guaranteed minimum levels of return. Therefore, a decline in the capital markets in general could adversely affect the Bank's net income, financial situation and future prospects. As at 30 June 2012, the Group's portfolio of shares, including the investments in associates, reached 724 million euros, equivalent to 0.8% of the Group's total assets. Any depreciation in the value of the portfolio of financial holdings could have negative repercussions on its financial situation and net

income. A fall in stock and debt markets would also have an impact in terms of the quality of the assets due to the lower value of the collateral of various loans granted, based on this type of guarantee, leading to the reduction in its coverage ratios (as at 31 June 2012, 5.5% of the loan portfolio had financial assets as collateral). Finally, the value of the assets comprising the net worth of the Group's Pension Fund will also depend on the future evolution of the capital markets. A sharp fall in the capital markets could lead to insufficient coverage, through the value of the assets in its net worth and liabilities undertaken by the Pension Fund, negatively affecting the Bank's capital ratios and net income.

Sharp deterioration of credit quality and increase in overdue loans

Millennium bcp's consolidated loan portfolio, as at 30 June 2012, reached 70,317 million euros, of which 6.7% refer to non-performing loans. The prolonged maintenance of the adverse economic and financial circumstances at a worldwide, European and national level, combined with the implementation of the austerity measures established under the Economic Adjustment Programme, increases the risk of deterioration of the quality of the consolidated loan portfolio, and might lead to increased impairment losses and the deterioration of the solvency ratio through capital reduction and/or increased risk weighted assets (RWA).

Devaluation of local currencies in the Group's operations outside the Eurozone

As at 30 June 2012, Millennium bcp had operations outside the Eurozone, in particular in Mozambique, Angola, Poland and Romania. Any devaluation of the first three currencies could have a negative impact on the Group's consolidated net income. In the case of Romania and since the operation has not yet reached its break-even point, the impact would be the opposite. Moreover, the Bank's loan portfolio includes loans in foreign currency, where the losses are assumed by the Customers and recorded in the profit and loss account under impairment.

Depreciation of real estate markets

Millennium bcp is highly exposed to the Portuguese real estate market, both directly through assets related to its operations or obtained in lieu of payment, and indirectly through properties guaranteeing loans or through the funding of real estate development projects (the assets received in donation in Portugal represented 1.1% of total assets as at 30 June, 2012 and the direct exposure to the real estate sector, consisting of loans granted to construction companies and real estate activities and the mortgage credit represented 56% of the loan portfolio as at 30 June 2012). This fact makes the Bank vulnerable to a depression in the real estate market. A significant devaluation of prices in the Portuguese real estate market would lead to impairment losses in the assets held directly, lower coverage of exposure to loans guaranteed by real estate collateral and in the pension funds, adversely affecting the Bank's financial situation and net income.

Reputation risk

Reputation risk is inherent to the Group's business activity. A negative opinion of the public or sector could adversely affect the Group's ability to maintain and attract Customers and, in particular, institutional and retail depositors, whose loss could adversely affect the Group's business, financial situation and future prospects. The Bank has a limited number of Customers who were classified as politically exposed persons pursuant to the applicable legislation. Although the Group exercises an increasingly stricter scrutiny of the transactions with politically exposed persons in order to ensure compliance with the applicable laws, the bank services provided to these individuals imply reputation risks, even when there is no infringement of the law.

Compliance risks

The Bank's activity is strongly regulated. As a consequence, the Bank is subject to claims of non-compliance with regulations and against which lawsuits will be filed by public entities, regulatory authorities or third parties. Inspections or other procedures which are unfavourable to the Bank could result in penalties of a legal nature, limitations of business opportunities, reductions of potential expansion or the impossibility to demand compliance with contractual obligations. The Bank is also subject to rules and regulations related to money laundering and the financing of terrorism. Compliance with the rules of combat of money laundering and the financing of terrorism implies significant costs and efforts, and their non-observance may have severe consequences, namely legal and in terms of reputation, for the Bank. Although the Bank believes that its current policies and procedures of combat of money laundering and the financing of terrorism are sufficient to ensure compliance with all the applicable legislation, the Bank cannot guarantee that, at any given time, it complies with all the applicable rules, or that its rules on the combat of money laundering and the financing of terrorism, which are extendable to the entire Group, are being applied consistently by its employees under all circumstances.

The Bank's interest rate risk is historically high, making it vulnerable to increased rates

Interest rates are highly sensitive to many factors beyond the control of the Bank, including decisions of the monetary authorities and internal and international political constraints. Changes in market interest rates can affect the interest charged by the Bank and received from assets generating interest in a different way when compared with the interest paid by the Bank for remunerated liabilities. This difference could reduce the Bank's net interest income. At the end of 2011, the ECB announced its decision to reduce the interest rate applicable to the main refunding operations of the Eurosystem from 1.25% to 1.0%, having at the beginning of July 2012, reduced once more the interest rate to 0.75%. A movement in the opposite direction by the ECB (increased interest rates in the Eurozone) could increase the costs associated to debt service in Portugal and aggravate the general financial conditions if the interest rate increases do not correspond to the Portuguese financial situation. Moreover, it is expected that the capital market will remain difficult in the short/medium term. Furthermore, an increase in the interest rate could reduce demand for loans and the Bank's capacity to grant loans to Customers, and also contribute to increased loan default. Conversely, a reduction in interest rates could affect the Bank negatively through, amongst others, the lower average interest rate of its mortgage loan portfolio, lower net interest income from deposits, lower demand for deposits and increased competition. As a result of these factors, significant changes or volatility in interest rates could have a substantial adverse impact on the Bank's activity, financial situation or net income.

Volatility caused by the Bank's credit risk

The last years were marked by worsening international financial crisis and the intensification of the sovereign debt crisis. Existent uncertainty, with particular focus in the financial sector, as a result of the increasing difficulties of financial institutions and systemic risk, keeps the cost of protecting against the default of private debt instruments in financial markets at high levels and, in particular regarding the Portuguese banks. The continuation of this situation causes the increase of the Bank's credit spreads, with negative impact on net interest income, but can induce gains in the fair value of liabilities at fair value. However, these effects are reversible over time: the reduction of the Bank's credit spread will produce the opposite effect, which will result in possible reduction of the Bank's results.

Decision of the authorities or courts against the Bank's interest in administrative offences

At this date it is not possible to forecast the definitive outcome of the court cases in progress or whether new lawsuits or investigations will be submitted in the future. However, the Bank always runs the risk of being subject to restrictive measures of civil, administrative or other nature, including fines, depending on the result of the accusations, investigations and proceedings in question. The Bank might also be subject to investigations or proceedings by other regulators or disputes, in Portugal or in any other place, by shareholders or third parties, disputes which, if decided against the Bank, could lead to significant losses for the Bank and the downgrading of its ratings. Any of these regulatory proceedings and disputes could lead to negative publicity or perceptions relative to the business developed by the Bank and could lead to loss of Customers and increased funding costs, and even draw the attention of the management team away from the current management of the Bank's activity. Consequently, the development of regulatory investigations, any regulatory proceedings and liabilities resulting thereof, and any dispute arising from or related to the operations described above, if decided against the Bank, could have an important negative effect on its activity, operating income or financial situation.

Contingencies in the implementation of the Bank's strategy

It is not possible to guarantee in advance that the Group will manage to implement its strategic agenda due to the general constraints, such as the deterioration of market conditions, adverse environment, increased competition or the actions taken by the main competitors, or specific constraining factors associated to possible delays in the implementation of its strategic program or the efficacy and degree of implementation of the measures to resume growth and leadership in Retail Banking and attract greater value in the Companies and Corporate segments, maintain the drive to reduce costs and optimise discipline in capital and liquidity management and strengthen risk management. The Bank could face difficulties in the implementation of critical management measures aimed at continued repricing, optimising the recovery of banking revenues and profitability, mitigating exposure to various types of risk and increasing own funds, with a negative impact on expected efficiency levels, and compromising the defined objectives and solvency.

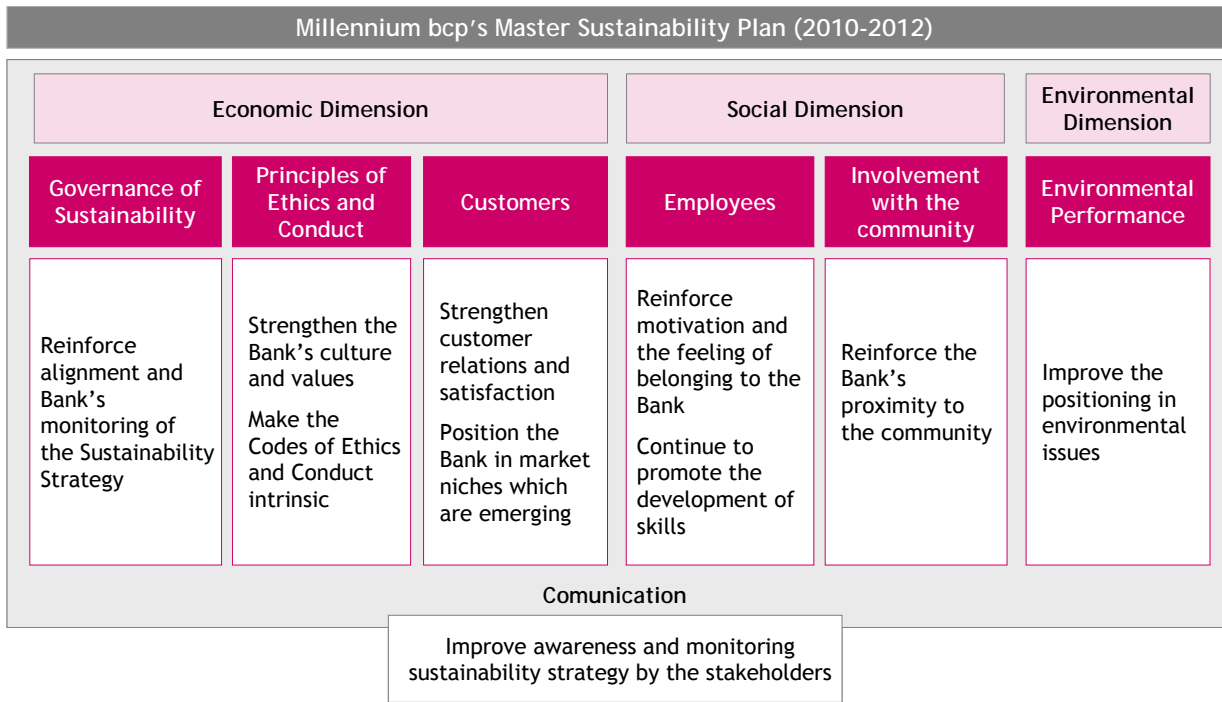
Operational risk

During the Bank's normal activity and as a result of its organisational structure, the Bank is subject to certain operating risks, including interruptions in the service provided, errors, fraud attributable to third parties, omissions and delays in the provision of services and implementation of requirements for risk management. These risks are continuously monitored by the Bank through advanced administrative and information systems, amongst others, and some operating risks are covered by insurance policies. However, it is not possible to guarantee that the monitoring and prevention of these risks will be fully effective. Any lack of success in the implementation of the Bank's risk management and control policies could adversely affect its financial situation and net income.

SUSTAINABILITY

This summary describes the main activities developed during the first semester of 2012 to the accomplishment of Millennium bcp's Master Sustainability Plan, which strategy in the context of sustainable development reflects the commitment of Millennium bcp to the Stakeholders.

The sustainability plan covers six major areas of action, supported by internal and external communication, and has the following main objectives:



Area	Dimension	Action lines	Period	Outcome
Ethical Principles and Code of Conduct	Values	- Strengthen the link between employees and the Bank's Values.	2010	●
	Code of Conduct	- Communicate the code of conduct permanently and in an appealing way according to the "dilemmas" identified;	2010	●
		- Foster a culture of compliance and rigorous risk management;	2010	●
		- Inform the stakeholders of the different policies adopted by the Bank with impact on sustainable development.	2010	●

Achieved ●
 Not started ○

Code of conduct

- It was communicated within the Bank new policies, namely the Policy of New Products Approval and Policy for Private Banking Business Cross Border.
- A new software for monitoring and manage the Compliance Office internal processes allowed support the assessment process based on the Risk Assessment Model of Banco de Portugal as well as the implementation of procedures for monitoring and detection of risks, actual and potential. The same

software also allowed replace more than 80% of the physical files for electronic files enabling search functions with higher levels of efficiency.

- According to current legislation, the procedures for monitoring and filtering processes, opening of entities and accounts, Customers assessment and knowledge processes and their transactions were adjusted to endogenous and exogenous risk levels.
- Several training sessions within Culture of Rigor Program were carried out, which involved 10,083 employees.

Area	Dimension	Action lines	Period	Outcome
Customers	Quality and Transparency in Customer Service	- Promote the culture of rigor and transparency of the Organisation in customer support.	2010	●
	Products and Services	- Strengthen the customer satisfaction assesment processes.	2011	●
		- Promote the offer of products and services which respect principles of social responsibility and respond to new environmental challenges.	2010	◐
		- Improve information on condtions of access for disabled people in the different channels of the Bank.	2010	◐
	Microcredit	- Consolidate the Bank's position as pioneer and leader in the microcredit market, strenthening the proximity of the Bank with entrepreneurs.	2011	●
	Environmental risk	- Awareness-raising amongst companies of activity sectors with greatest exposure to risks and environmental regulation, on the subjectof climate change, identifying opportunities for collaboration and strengthening partnerships for the offer of products which respond to the needs of modernisation of these companies.	2011	◐

Achieved
Not started



Quality and Transparency in Customer Service

- It was implemented a system to monitor customers satisfaction within the open an account process at the Bank. The results of the first four months of the year were: i) 99% of customers were satisfied with the service and ii) 94% of customers were satisfied with the products and services provided.
- In the 1st half of 2012 a recommendation indicator was introduced in all Costumers surveys, enabling assess the loyalty level to the Bank and recommendation level and establish benchmarks with other institutions / markets.
- It was conducted a survey to evaluate the Costumers experiences in some of the main interactions with the Bank, namely the branch host, transactions requests, the meeting with the Account Manager and the new website, which helped identify the strengths and improvement opportunities, triggering correction actions.
- The year of 2012 was elected as the Quality of Sales Year, within phone sales, in order to improve the service that is provided to Retail Network Customers and reduce operational risk of the Bank. It is expected to listen and monitor a total of 24,000 sales phone calls during the year.
- It was launched the M Project which the training component, that involved 1,836 employees who performed 8,281 hours of training, allowed to reinforce the excellence levels objectives in the Retail Network key functions performance.

Products and Services

- The basic services bank account remained available for Customers with no account throughout the banking system contributing to reduce social exclusion in particular through the accessibility to a bank account, a debit card and home banking services.
- The advisory financial service (AFS) was strengthened with new solutions to “Households AFS” and the launch of “Business AFS”, as a way of preventing indebtedness supporting Customers with financial difficulties, providing solutions as debt consolidation, extension or restructuring of the term payment plans on more favorable terms. Under the “Households AFS” during the first semester of 2012 were made 11,560 contract adjustments (2,640 mortgage loans and 8,920 consumer loans), with a restructuring amount of 213 M€ (164 million euros mortgage loans and 49 million euros consumer loans), with predominance of grace periods and extension of maturity.
- Within the support to courses of technological specialization, licentiate degrees, post-graduations, masters, doctoral degrees and courses covered by international mobility programmes, the Bank made again available the University Credit and University Credit with Mutual Guarantee - through which granted 451 thousand Euros to 40 loans.
- Under the cultural commitment of the Bank and in partnership with ZON Lusomundo, it was maintained the cinema tickets offer. When purchasing a ticket at the regular price with a credit card from Millennium bcp it is offered one ticket for the same session.
- Through the Points and Loyalty Program of cards issued by Millennium bcp, it was delivered the donations, which resulted from points conversion, to Social Solidarity Institutions, namely the Portuguese League Against Cancer, UNICEF, Gaiato House and International Medical Assistance - AMI.
- Millennium bcp keeps on working to promote and encourage Customers to use Digital Extract service. By the end of the first half of 2012 approximately a third of the Customers were already using this service, which represents a 10% growth compared to the end of 2011.
- It was launched the prepaid card Millennium bcp Free Meal, for Companies and Sole Proprietorships (ENI) to pay the lunch subsidy to its employees, allowing the reduction of costs with the Employers Rate of Social Contributions and increase the income available for employees due to lower taxable income.
- The Clients who demonstrated that actively contribute to the development of the economy were recognized and distinguished with the Customer Applause Program 2012 of Millennium bcp, to which was added more attributes and was given a special focus to companies with export activity.
- Through the several SMEs lines under protocols (credit lines undersigned with government entities) Millennium bcp approved in the first half of 2012, nearly 704 new operations with the total amount of 34 million euros, of which 355 have already been allocated with the total amount of 13 million euros. These lines include, among others, the moratorium on SME Invest, which allowed maintaining support to treasury management of Small Business and Companies and SME Growth line launched, in response to the country difficulties, to promote job retention and support the development of business plans of Sole Proprietorships and Companies.

Microcredit

- In the first half of 2012, the Microcredit of Millennium bcp supported 152 new operations, with a total amount of 1.73 million euros, which helped to create 212 jobs. In this period, when compared with the same period of 2011, there was an increase of: 42.1% in the number of operations supported, 58.6% on the amount loaned and 19.1% in jobs created.
- Millennium bcp Microcredit continued to promote the microcredit product and widening partnerships: i) celebration of 10 new cooperation protocols within entrepreneurship: ii) collaboration with the Business Association of the Municipality of Sintra, with the objective of assessing the best business projects submitted in the contest Sintra Empreende 2012; iii) participation in 65 events to the promotion of employment and entrepreneurship, highlighting the role of microcredit as a tool for fight unemployment and social exclusion, and iv) promotion of 185 meetings with Institutions that work directly with the poorest communities, Universities and Polytechnic Institutes.
- An Employee of Microcredit Millennium bcp participated, in the beginning of the year, in the project “Bankers without Borders” in Varanasi - India - in a volunteer program of the Grameen Foundation to support microfinance institutions that work with the poorest people.

- In the context of the second edition of the initiative “International Day of Disabled Persons”, it was handed the 5,000 euros prize disabled Microentrepreneur who presented the best business project.
- As a corporate member, Millennium bcp continued to participate in the working group of the European Microfinance Network (EMN), whose objective is the preparation of an analysis on the growth of microfinance in Europe.

Area	Dimension	Action lines	Period	Outcome
Employees	Millennium Culture and Identity	- Involve employees in initiatives outside their daily activity, to enhance the feeling of pride, belonging and identification with the Bank's vision, mission and values.	2010	●
	Motivation	- Reinforce programs for staff mobility and flexibility working;	2012	◐
		- Create mechanisms to increase the proximity between the employees and senior management.	2012	◐
	Proficiency and knowledge	- Strengthen the internal training plans aimed at senior staff;	2010	●
		- Carry out training actions on security and safety issues.	2010	●
	Equal opportunities	- Promote a culture of equal opportunities, through the inclusion of minorities.	2012	◐

Achieved
Not started



Millennium Culture and Identity




- To reinforce the involvement of employees in initiatives outside the scope of their daily activities it was launched a different challenge to participants in the Young Specialist program and a group of Retail Network Employees (of the Ourém branches). A total of 60 employees developed a project for a social shop that was called "Share Point" that is supported by a website and a facebook page. This shop aims to provide a space prepared with essential items (children's and adult clothing, house wares, workshops for seniors) to meet the needs of poor households in the Municipality of Ourém. In partnership with the Ourém City Hall, which made available a former elementary school, it was possible to create a cozy space to receive these families. This voluntary action also promoted a greater proximity between the Employees by sharing knowledge and enhancing team spirit as well as reinforced the alignment with the mission and Bank values.

Motivate

- In order to encourage the management of their own careers for the 1st time was given the opportunity to Employees, with profile, to apply to Grow Fast program. From the 174 applications received, analyzed individually in committee, were selected 19 Employees who joined the 3rd edition of the program. It was also launched a new program, the Master in Millennium, with 45 participants. In these programs, which aim to develop leadership skills, Employees are advised by a Mentor (from Senior Management and Management) that guides them in the development of their careers. This methodology also promotes the proximity to top management.
- In the first half of 2012, the Thousand Ideas, internal program that support the presentation of innovative ideas, continued to promote and recognize innovation, initiative spirit and participation in Bank's life, having received 306 ideas, which 30 of them were selected to implementation. Within this program was held the 5th edition of the annual Workshop "Thousand Ideas", which brought together authors of award winning ideas and Advisory Board Members who are responsible for analyze them in a total of 60 Employees.

Skills and knowledge

- Aiming the alignment between business strategies and the present economic and financial environment, it was reinforced, through training activities, some skills in specific areas: i) credit recovery (445 employees in a total of 5,708 hours) and ii) claims management (1,160 Employees in a total of 1,160 hours). From these total hours of training, 70% took place in the classroom and the others via e-learning.
- Within Account Managers Certification Process, in collaboration with the Bank Management Institute (IGB) ActivoBank it was incorporated in training along with Commercial network and Private Banking. Currently are being certified 25 employees who performed so far 2,500 hours of training.
- Due to the need to comply with legal obligations (insurance sale and euro currency) were trained 2,032 Employees in a total of 17,521 training hours.

Area	Dimension	Action lines	Period	Outcome
Community	Foundation	- Strengthen the identity of the Millennium bcp Foundation, through the reinforcement of the dissemination of initiatives in the area of culture, education and social solidarity.	2012	
	Financial literacy	- Provide the financial know-how of Millennium bcp to the community, focusing on the younger and more senior age groups.	2012	
	Voluntary Work	- Structure a voluntary work programme for and with the participation of the employees.	2010	

Achieved 
 Not started 

Foundation

Millennium bcp Foundation supported several initiatives of culture, education and charity work:

- In Cultural promotion were reinforced the initiatives for conservation and promotion of Bank's Heritage, and were supported numerous activities developed by different entities, namely: i) maintenance of the Archaeological Centre of Rua dos Correeiros (NARC) which received 4,430 visitors; ii) installation of multimedia kiosks in Millennium Gallery in Lisbon and in the D. João I in Porto, which provide information about the exhibitions and the Millennium bcp numismatic collection and a virtual visit for the NARC and iii) under the Lisbon Festivals'12 was opened the exhibition "The Sardine is Ours!".The exhibition also was used to mark the opening of Millennium Gallery, a new space exclusively adapted for exhibitions. And in Porto was opened the exhibition "Hammers of S.João"; iv) continuation of the project of "Shared Art" travelling exhibitions, which was presented during this period in Aveiro, Cascais and Guimarães v) support to 20 initiatives to promote culture, carried out by various entities, including: São Carlos National Theatre, National Museum of Contemporary Art - Chiado Museum (MNAC), the National Museum of Ancient Art (MNAA), the Tile National Museum and Fine Arts National Society.
- In the Education area were supported various initiatives whose objectives are increase the quality of education and the quality of individual skills: i) support students giving scholarships ii) AIESEC - Project "Make it Possible" - an initiative that includes several activities to the presentation and discussion of the Millennium Goals, promoted by the United Nations, in secondary schools and iii) Entrepreneurs Association for Social Inclusion (EPIS) - the " New Good Students - Mediators for educational success in the 3rd cycle."
- Under the charity work, it was supported: i) the presentation of the study, promoted by the National Confederation of Solidarity Institutions, "The Private Institutions of Social Solidarity In a Context of Economic Crisis" in two sessions (Lisbon and Porto). The Lisbon session was attended by the Minister of Solidarity and Social Security, Pedro Mota Soares; ii) Portuguese Association of Asperger Syndrome (APSA) - Project "Casa Grande", iii) GOS (Management of Social Organizations), a partnership with a partnership with AESE - Business Management School and ENTRAJUDA and iv) Caritas of Coimbra to the project "Social leaders - Ensuring Sustainability with People" - seminars to managers of the third sector.

Financial Literacy



- After one year of the Millennium Sugere, in the Facebook page, important information has been maintained: (i) strategies to increase savings; (ii) information on managing family budget and (iii) useful information of general nature about taxation and taxes. This space to share experiences helps people to understand the importance of saving to ensure a better future and helps the planning to face future challenges.
- It was maintained the participation in the financial literacy project within the Sectorial Strategy for Financial Education coordinated by the Portuguese Association of Banks.

Voluntary Work

Activities promoted by Millennium bcp to the participations of Employees in voluntary work:

- Under the fourth edition of the “Secure Internet Day” program, for the third year in a row Millennium bcp joined Microsoft, the promoter of the initiative, and with 29 volunteers was in the first, second and third cycle schools, to raise awareness about the safe use of internet and social networks.
- A group of 75 persons, among Employees and family were present in one of the Lisbon warehouses for the separation of the food collected at supermarkets during the collection campaign of the Banco Alimentar Contra a Fome (Food Bank Against Hunger).
- Continuation of the exclusive support, from Millennium bcp Foundation, to the Junior Achievement Portugal to the Startup Program. In the academic year of 2011-2012, this program had 30 tutors from the Bank that with the cooperation of teachers supported 150 students from nationwide. The N2FIX Project from Universidade do Porto was the national winner and in European competition JA-YE Europe Enterprise Challenge 2012, received the prize “Responsible Leadership Award”, for the best business plan at the level of financial analysis, innovation and social and environmental responsibility.
- Continuation of the support to the program “Aprender a Empreender - Portuguese Junior Achievement”. In the academic year 2011-2012, participated 114 Employees, with a total number of 877 hours of voluntary work in training to 2.058 students from first, second and third cycle.

Area	Dimension	Action lines	Period	Outcome
Environmental Performance	Policies and Practices	- Formalise the Bank's environmental policies and principles, assuming a commitment to medium/long term environmental performance.	2010	●
	Efficient management of consumption	- Reduce the Bank's ecological footprint, through the strengthening of the internal programmes aimed at the efficient use of resources.	2010	◐
	Partnerships	- Promote the Bank's environmental performance through partnerships with reference institutions in this area.	2012	◐



Achieved 
 Not started 

Efficient management of consumption

- The "Green IT Program," a structured program of environmental responsibility of specific areas of IT, kept its communication strategy through regular publications and awareness raising. Within new technical solutions it was implemented the Verdiem, a solution that allows an efficient management of computer equipment when they aren't being used.
- During the first six months of 2012, there was an increase in the use of webcasting which enabled the reduction of employees' travel thus contributing to reduce CO2 emissions.
- Within consumption reduction the main activities in the first half of 2012 were:
 - Replacement of halogen advertisement spots by LED technology with a reduction in energy consumption of 1,493 kWh/month, which corresponds to an estimated reduction in CO2 emissions of 520 kg;

- Continuation of replacement of fluorescent for LED technology in parking garages, with a reduction in energy consumption of 2,399 kWh/month, which corresponds to an estimated reduction in CO2 emissions of 835 kg;
- Optimization of self banking lighting zone, with a reduction in energy consumption of 8,672 kWh / month, which corresponds to an estimated reduction in CO2 emissions of 3,018 kg;
- New adjustments of inside and outside lighting with a reduction in energy consumption of 59,810 kWh/month, which corresponds to an estimated reduction in CO2 emissions of 20,814 kg.

Area	Dimension	Action lines	Period	Outcome
Communication	Internal	- Disseminate the Bank's social responsibility initiatives through the most relevant internal channels.	2010	●
	External	- Innovate in the communication channels and formats on Sustainability issues;	2010	●
		- Develop and further highlight Sustainability and Millennium bcp Foundation areas;	2010	●
		- Highlight the initiatives of the Sustainability and social responsibility areas of the international operations.	2010	●

Achieved 
 Not started 

External communication

- Reflecting the alignment of sustainable development policies and social responsibility in business and strategy of Millennium bcp, the Bank decided to maintain the Integrated Report framework in 2011 Annual Report.
- Contents of Sustainability Area of the institutional website were updated and it was made available information about the activities of Social Responsibility undertaken by international operations.

CORPORATE BOARDS

In the General Meeting of Shareholders of Banco Comercial Portuguese, S.A. on February 28, 2012 it was approved the alteration and restructuring of the articles of association of the company, which was consolidated in the adoption of an one-tier management and supervision model, composed by a Board of Directors, an Audit Committee and Statutory Auditor, as well as the creation of an International Strategic Board. In this General Meeting were elected the members of the new corporate bodies for the term of office 2012-2014:

Board of Directors

Chairman: António Vitor Martins Monteiro

Vice-Chairmen: Carlos José da Silva

Nuno Manuel da Silva Amado

Pedro Maria Calainho Teixeira Duarte

Members: António Luís Guerra Nunes Mexia

João Bernardo Bastos Mendes Resende

António Manuel Costeira Faustino

Álvaro Roque de Pinho Bissaia Barreto

António Henriques de Pinho Cardão

César Paxi Manuel João Pedro

José Jacinto Iglésias Soares

André Luiz Gomes

João Manuel de Matos Loureiro

José Guilherme Xavier de Basto

Jaime de Macedo Santos Bastos

Maria da Conceição Mota Soares de Oliveira Callé Lucas

Miguel de Campos Pereira de Bragança

Miguel Maya Dias Pinheiro

Luís Maria França de Castro Pereira Coutinho

Rui Manuel da Silva Teixeira

Executive Committee

Chairman: Nuno Manuel da Silva Amado

Vice-Chairmen: Miguel Maya Dias Pinheiro

Miguel de Campos Pereira de Bragança

Members: José Jacinto Iglésias Soares

Maria da Conceição Mota Soares de Oliveira Callé Lucas

Luís Maria França de Castro Pereira Coutinho

Rui Manuel da Silva Teixeira

Audit Committee

Chairman: João Manuel de Matos Loureiro
Members: José Guilherme Xavier de Basto
Jaime de Macedo Santos Bastos

Remuneration and Welfare Board

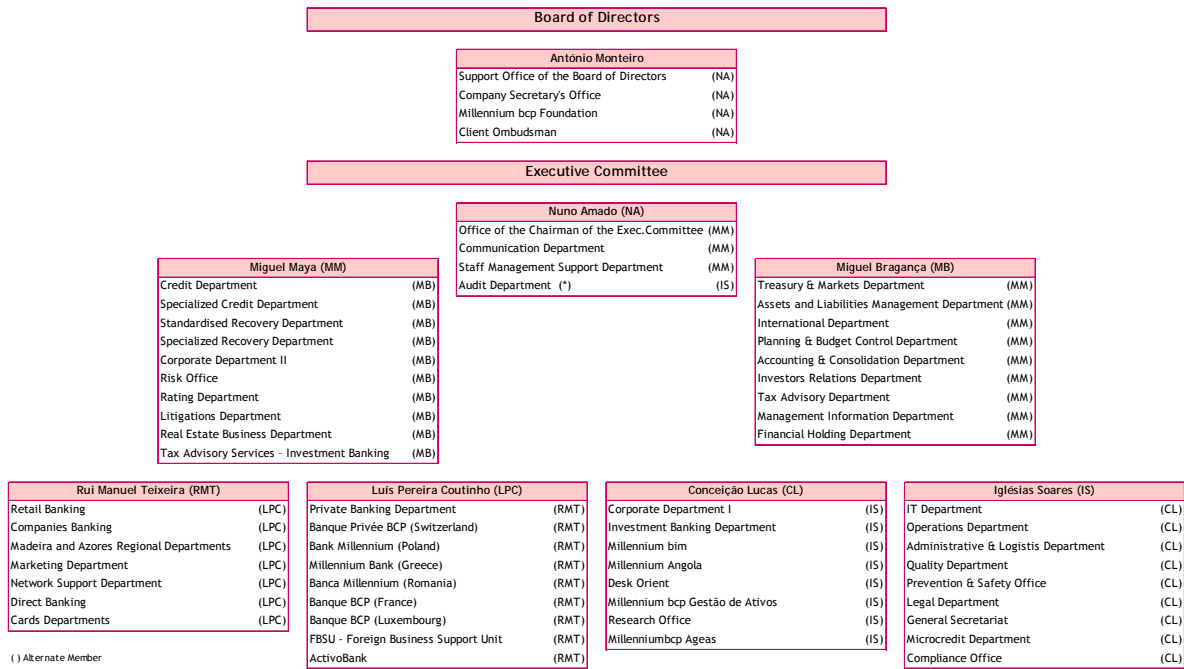
Chairman: Baptista Muhongo Sumbe
Members: Manuel Soares Pinto Barbosa
José Manuel Archer Galvão Teles
José Luciano Vaz Marcos

International Strategic Board

Chairman: Carlos Jorge Ramalho dos Santos Ferreira
Members: Francisco Lemos José Maria
Josep Oliu Creus

CHANGES IN CORPORATE GOVERNANCE

Following the adoption of an one-tier management and supervision model, approved on the General Meeting of Shareholders of Banco Comercial Portuguese, S.A. on February 28, 2012, and the creation of an Executive Committee, there was a redefinition of the areas of responsibility of each Director as well as the direct reporting and Alternate Directors in each areas of responsibility.



() Alternate Member

(*) Direct Responsible (Iglésias Soares)

In March 2012, the Executive Committee approved the new composition of the Coordination Committees, Sub-commissions and Commissions directly under it. The composition of the Coordination Committees is the following:

COORDINATION COMMITTEES (1/2)

Its objective is to facilitate the current management decisions, involving the top management of the units integrated in each Business Areas and in the Banking Services Unit with the mission of aligning perspectives and support the management decision-making process by the Executive Commission.

RETAIL	COMPANIES	EUROPEAN BUSINESS
<ul style="list-style-type: none"> EC Members <ul style="list-style-type: none"> Miguel Bragança Rui Manuel Teixeira Conceição Lucas Coordinator Managers <ul style="list-style-type: none"> Retail Banking Direct Banking Marketing Department (Secretary) Cards Department Network Support Department Communication Department Management Information Department Retail Recovery Department Real Estate Business Department (by invitation) Private Banking Department (by invitation) Staff Management Support (by invitation) Insurance (by invitation) 	<ul style="list-style-type: none"> EC Members <ul style="list-style-type: none"> Miguel Maya Miguel Bragança Conceição Lucas Rui Manuel Teixeira Coordinator Managers <ul style="list-style-type: none"> Companies Banking Corporate I Corporate II Investment Banking Department Specialized Credit Department Real Estate Business Department Marketing (Secretary) Management Information Department Specialized Recovery Department Staff Management Support (by invitation) 	<ul style="list-style-type: none"> EC Members <ul style="list-style-type: none"> Luis Pereira Coutinho Iglésias Soares Subsidiaries Responsibles <ul style="list-style-type: none"> Poland Greece Romania FBSU (Secretary)

COORDINATION COMMITTEES (2/2)

BANKING SERVICES AND PROCESSES

- EC Members
Luís Pereira Coutinho
Iglésias Soares
Rui Manuel Teixeira
- Coordinator Managers
IT Department
Operations Department (Secretary)
Administrative & Logistics Department
Quality Department
Prevention & Safety Office
Staff Management Support
Planning & Budget Control Department

COSTS AND INVESTMENTS

- EC Members
Miguel Maya
Miguel Bragança
Iglésias Soares
 - Coordinator Managers
Administrative & Logistics Department (Secretary)
IT Department
Planning & Budget Control Department
- Other areas by invitation when contracts which directly involve them are appreciated

HUMAN RESOURCES

- EC Members
Nuno Amado
Miguel Bragança
Iglésias Soares
- Coordinator Managers
Staff Management Support (Secretary)
Other first line reports as a function of the issues being discussed

APPROVAL OF NEW PRODUCTS

- EC Members
Miguel Maya
Iglésias Soares
Rui Manuel Teixeira
- Coordinators Managers
Marketing Department
Direct Banking
Communication Department
Process owner of New Products and Services Development
Audit Department
Compliance Office
Risk Office
Accounting & Consolidation Department
IT Department
Operations Department
Legal Department
Tax Advisory Department
Other non permanent members by invitation.

MAIN EVENTS IN THE FIRST HALF OF 2012

JANUARY

- The announcement by the Chairman of the Supervisory Board of Banco Comercial Português that the Bank submitted to the Bank of Portugal a Capital Plan on 20 January 2012, as per the EBA's recommendation of 8 December 2011. The Capital Plan delivered involved two components: a) Increasing the share capital, with preference right, to be subscribed by private shareholders, so as to assure permanent own funds. b) Using the temporary State recapitalization line regulated by Law 63-A/2008.
- Following a downgrade of the rating of the Republic of Portugal, DBRS revised on 31 January 2012 the long-term rating of Banco Comercial Português, S.A. from BBB to BBB (low), with "Negative Trend", and the short-term rating from R-2 (high) to R-2 (mid) with "Negative Trend".
- Participation of Millennium bcp Microcredit as guest of the Católica University in a discussion panel of the Lisbon MBA Microfinance Chair, under the theme "The evolution, current context and importance of microfinance in Portugal".
- Millennium bcp awarded at the 1st edition of NYSE Euronext Lisbon Awards with two prizes: Market Member-Most Active Trading House in Shares Compartments b and c and N°1 Seasoned Equity Offer House. The awards were intended to highlight the performance of listed companies, the activity of intermediaries in the market, as well as the individual and institutions contributions for the development of the portuguese capital market during 2011.

FEBRUARY

- The conclusion on 28 February 2012, of Banco Comercial Português' General Meeting of Shareholders. The following deliberations were taken: Approval of the alteration and restructuring of the articles of association of the company aimed at the adoption of a single-tier management and supervision model, comprise of a Board of Directors, an Audit Committee and Chartered Accountant, as well as the creation of a Board for International Strategy; Election of members for the Board of Directors (including the Chairman of the Executive Committee and Vice-Chairman of the Board of Directors, Nuno Manuel da Silva Amado), Audit Committee, Board for International Strategy and Welfare and Remunerations Board for the term of office 2012-2014.
- In the scope the Millennium bcp's social responsibility program, the Bank donated 100 paintings to the Health Ministry, with the aim of making hospitals in the National Health Service more welcoming spaces for their users, in a ceremony at San José Hospital, in the presence of Minister of Health, Paulo Macedo.
- 7 February 2012 was "Secure Internet Day", an initiative of Microsoft in partnership with Millennium bcp, EPIS and Cascais Municipality (for the first time this year), with a conference for children and adults attended by 600 people, with the theme "Let's discover the digital world...safely".
- Within the "Come and Grow With Us" university students program, during the 1st quarter of 2012 two initiatives were carried out: i) in February, the Skill Seminar with the participation of 16 students of the Master in International Management (CEMS-MIM), of the Universidade Nova de Lisboa.
- Following a downgrade of the Portuguese Republic's rating, a revision of the Banking Industry Country Risk Assessment for Portugal, and in the context of a review of Portuguese banks' ratings, Standard and Poor's reduced on 14 February 2012 the long-term rating of Banco Comercial Português, S.A. from "BB" to "B+", with Negative Outlook, while the short-term rating was confirmed at "B".

MARCH

- Following the General Meeting of Shareholders held on 28 February 2012, which elected the new members of Banco Comercial Português, S.A.'s Corporate Bodies, the Board of Directors of Banco Comercial Português elected on 1 March 2012 the Executive Committee and its First Vice-President, Miguel Maya Dias Pinheiro, and Second Vice-President, Miguel de Campos Pereira Bragança.
- The announcement by Banco Comercial Português made on 1 March 2012 that the Bank of Portugal disclosed on that day the overall results of the third and final phase of the Special Inspections Program (SIP), within the scope of the Economic and Financial Assistance Program established with the IMF/EU/ECB in May 2011. The third phase of the SIP, now completed, was forward-looking and designed to assess the adequacy of the parameters and methodologies used by banking groups when preparing financial projections that support

the assessment of their future solvency, as part of the stress test exercise. This assessment confirmed that BCP uses the appropriate parameters and methodologies.

- Banco Comercial Português informed on 26 March 2012 that the offer to repurchase the covered bonds issued by the Bank ended on 23 March 2012. The investors tendered Euro 918,650,000 (face value), which Millennium bcp decided to accept in full. The purpose of the offer was to proactively manage the Bank's outstanding liability and capital structure.
- Support from Millennium bcp Foundation for the 2nd edition of the "Make it Possible" project, created by the AIESEC to promote the "Millennium Goals" in secondary schools. This initiative, in March, was directed at more than five thousand students with the support of 58 volunteers from 25 different countries.
- Within the "Come and Grow With Us" university students program the Banking G@me, played by 40 young people.
- Election of Médis for the fourth time as a Trusted Brand in the category of Health Insurance by readers of Reader's Digest magazine.
- Announcement by Moody's on 28 March 2012 that it has concluded the review of the ratings of the Portuguese banks, initiated on 15 February, following the revision of its rating for the Republic of Portugal from "Ba2" to "Ba3" on 13 February 2012. In this context, BCP long-term rating was confirmed at "Ba3" with Negative Outlook (identical to the rating of the Portuguese Republic), and the short-term rating was confirmed at Not Prime (NP). The Bank Financial Strength Rating (Baseline Credit Assessment) was revised from E+(B1) to E+(B2), with Negative Outlook.
- Participation of Millennium bcp Microcredit in the "Bankers without Borders" project, a volunteer program of the Grameen Foundation, with more than 5,000 professionals worldwide who offer their time, experience and technical expertise to support micro-finance institutions that work with the poorest population.
- In a partnership between the Millennium bcp Foundation and the National Confederation of Solidarity Institutions it was presented the study "The Private Institutions of Social Solidarity In a Context of Economic Crisis" in two sessions (Lisbon and Porto). The Lisbon session was attended by the Minister of Solidarity and Social Security, Pedro Mota Soares.

APRIL

- Millennium bcp was the official sponsor of the 6th EuroFinance Conference on the topic "Financial Management, Treasury and Risk for Companies in Portugal" - carry the treasury beyond the crisis.
- The Archaeological Centre of Rua dos Correeiros (NARC) participated in the international initiative "International Day of Monuments and Sites", extending its opening hours until 10 p.m. This year featured a discussion of the conservation and enhancement of World Heritage under the subject "From World Heritage to Local Heritage; protect and manage the change".
- Signing a sponsorship agreement between Millennium bcp and Olympic Committee of Portugal, which includes the sponsorship of the Olympic Committee of Portugal and the Portuguese Olympic Team, under the 2012 London Olympics. Millennium bcp is the Official Bank of the Olympic Committee of Portugal designating as Official Sponsor of the Olympic Committee of Portugal and the Portuguese Olympic Team in an exclusive in its sector of economic activity.
- Celebrating 25 years of existence of the Ocidental Insurance Company.
- Donation of 50 works of the Millennium bcp artistic heritage to a Particular Institution of Social Solidarity - Entrajuda - in a ceremony with the presence of Fernando Nogueira, General Secretary of the Millennium bcp Foundation, and Isabel Jonet, President of the Food Bank against hunger.
- Within the project "Shared Art" began in the city of Aveiro the Exhibition "Networks without sea" that includes 13 tapestries of Portalegre Tapestries Manufacturing forming part of the artistic heritage of Millennium bcp.
- Pioneering agreement with the National Clearing House for processing transfers through the system SRPN (Immediate Payment System) by Bank Millennium in Poland.

MAY

- Conclusion, with 41.33% of the share capital represented, of the Annual General Meeting of Shareholders, with the following resolutions among others: Approval of the individual and consolidated annual report, balance sheet and financial statements of 2011; Approval of the proposal to transfer the losses recorded in the 2011 individual balance sheet, amounting to 468,526,835.71 Euros, to Retained Earnings; Approval of the remuneration policy for the members of the Board of Directors, including the Executive Committee; Approval of the remuneration policy for heads of function, senior executives and other employees; Approval of the alteration of the items under Equity, by reducing the amount of the share capital, without altering the existent number of shares without nominal value and without altering the shareholders' equity, subsequently modifying Article 4 (1) of the Articles of Association, being the decrease made up by two different components: a) 1,547,873,439.69 Euros, to cover losses registered in the Bank's individual 2011 accounts, b) 1,517,126,546.31 Euros, for purposes of reinforcing future conditions for the existence of funds that may be qualified as distributable by the regulators.
- Donation of works of the Millennium bcp artistic heritage, including serigraphs and prints by artists mainly Portuguese, to the Ronald McDonald Foundation (10 pieces) and to "Acreditar"(32 pieces).
- Inauguration, on May 10, at the Museum - Library Condes de Castro Guimarães, in Cascais, the painting exhibition "The Instinct of Love in Millennium bcp collection", integrated within the project "Shared Art" which BCP has been implementing.
- Participation of Conceição Lucas member of the Millennium bcp Executive Committee as speaker in the debate "Women in Leadership - a change needed", in the 7th edition of the "Social responsibility Week", held by the Portuguese Association of Business Ethics (APEE).
- Rock in Rio Lisboa, event sponsored by the Millennium bcp.
- Launch of the Corporate Banking Service in Poland Electronic of Cash Withdrawal, providing an alternative to checks and money orders. This service is targeted at customers who make a large number of cash withdrawals and repayments, scholarships, loans or payments to seasonal workers, where the number of the account beneficiary is not known. The process was simplified to the maximum and is 100% remote. That is, the Client requests a withdrawal via home banking while the recipient can receive the amount in any branch of the Millennium.
- Launching a new tool for users to Millenet customers that helps them to better manage its household budget, the "Finance Manager".
- As part of its philosophy of contributing and supporting the economic and social development of Mozambique, Millennium bim has signed a new agreement with the Tax Authority, which promotes the simplification and increased efficiency of the economic performance of their duties and tax clearance fees at the Tax Authority of Mozambique through the use of banking channels Millennium bim.
- The Millennium bim, as part of its social responsibility program "More Mozambique for Me," promoted once again the National Road Safety Campaign, in partnership with the Top Productions and the Department of Traffic Police General Command of the Republic of Mozambique.
- Within Millennium bim corporate volunteer program - "Responsible Millennium bim" - about 60 volunteers, including employees and their family members, participated in an action that allowed equip and rehabilitate the Shelter Centre of Mumemo, equipping it with technology and furniture.
- Nomination of António Henriques Gaioso as Chief Executive Officer of Banco Millennium Angola.
- Grant made by Banco Millennium Angola of more than 4 million kwanza to the Foundation Women Against Breast Cancer.
- Election of Millennium bcp as "Best Bank in Portugal" for the second consecutive year by EMEA Finance.
- Election of Millennium bcp as "Bank of the Year" by Marketeer magazine.

JUNE

- Banco Comercial Português informed, on 29 June 2012, that, following (i) the definition of principles publicly announced on June 4, (ii) the approval of the Capitalization Plan by the shareholders in a general meeting held on June 25, whose terms were also made public and (iii) the Decision made by his Excellency the Minister of State and Finance relating to the Bank's Capitalization Plan pursuant to Article 13. of the Law 63-A/2008, of November 24, in its current wording, the Board of Directors of the Bank, with the prior opinion of the Audit Committee, approved the issuance of hybrid instruments of subordinated debt eligible as Core Tier 1 (which are fully reimbursable by the Bank over a period of five years and that only in certain

cases, namely non-compliance or failure to pay, may be converted into shares of the Bank), totaling 3 billion euros, already fully subscribed and paid-up by the State. As mentioned in due course, with the completion of this issue the Bank is adequately capitalized and ensures compliance with the capital requirements set forth by Banco de Portugal through its Notice no. 5/2012 (9% at end-June 2012, calculated according to more stringent criteria in order to create a temporary capital buffer).

- Conclusion on 25 June 2012, with 42,7% of the share capital represented, a General Meeting of Shareholders, with the following resolutions among others: Approval of the Bank's recapitalization plan, including public investment under the terms of Law 63-A/2008, of 24 November, upon related commitments and obligations, and upon granting the management body the powers necessary to accomplish the plan, including the: (i) eventual adjustment of the plan's conditions, in accordance with the decision of the ministry mentioned in that Law; (ii) accomplishment and development the measures to execute the plan, including resolving on the issue of financial instruments that may be converted into shares and shares part of the public investment, the exercise by the State of its rights, and the conditions for the Bank to repurchase them; and (iii) definition and execution of eventual adjustments, to correct extraordinary deviations or update the conditions for the public divestment; Approval of the proposal to suppress the preference right of the shareholders in the subscription of an issue or issues, to be resolved by the Executive Board of Directors - with the favourable opinion of the Audit Committee- of financial instruments that may be converted into shares and of shares part of public capital injection foreseen in the plan; Approval of the proposal for the "Core Tier 1 capital instruments subscribed by the State" able of being converted into shares and the shares that are eventually issued, mentioned in the proposal to suppress the preference right approved in item two of the Agenda, to be subscribed by the State.
- Banco Comercial Português, S.A. in accordance with article 249 (3) of the Portuguese Securities Code and under the terms of all other applicable legal rulings, hereby informs that, pursuant to the resolutions adopted at the Annual General Meeting of the Bank held on May 31, 2012, the Bank registered, at the respective Commercial Registry Office, the decrease of the Bank's share capital from 6,064,999,986 Euros to 3 billion euros, without altering the number of existing shares without nominal value, being this decrease composed of two separate amounts: a) 1,547,873,439.69 Euros, to cover losses recorded in the Bank's individual financial statements for 2011; b) 1,517,126,546.31 euros, to reinforce future conditions for having funds that may be qualified as distributable under the regulatory provisions. Therefore, the Millennium bcp's share capital currently amounts to 3 billion euros, represented by 7,207,167,060 nominative, book-entry shares without nominal value.
- Announcement of the repurchase results on Magellan Mortgages No. 2 plc, and Magellan Mortgages No. 3 plc and Floating Rate Notes issued by Banco Comercial Portuguese SA, with repayment in May 2014 issues. The offer is included in the set of initiatives undertaken by the Bank for the management of its financial structure and capital.
- Distinction of ActivoBank as "Best Commercial Bank" in Portugal, by World Finance magazine as part of World Finance Banking Awards 2012.
- "Best Bank in Mozambique" award to Millennium bim by the Global Finance magazine, in its study on the best banks in the world.
- Recognition of "Biznes Trade Account" and "Eko Energy Leasing" Bank Millennium with special awards in the 6th edition "Pearl of the FMCG market in 2012," in the "Best Offer Banking" and "Best Offer Leasing."
- Review of the Viability Rating of Banco Comercial Portuguese S.A. from "b" to "cc" by Fitch Ratings on June 18, 2012. The long and short term ratings were re-affirmed at "BB +/B". Fitch has also maintained the negative outlook.
- Set up of a free telephone line available assistance to Millennium bcp's Shareholders, working from 9:0 at 7:0 pm, every working day, dedicated to clarify the doubts that Shareholders might have.
- It was granted by Millennium bcp Microcredit and Direct Banking, within the 2nd edition of the prize "Microcredit for microentrepreneurs with disabilities", 5 thousand euros to the disabled Microentrepreneur who presented the best business project.
- Participation of Millennium bcp Microcredit as speaker in the debate "Financial Solutions for Times of Crisis - The Role of Banks" in the 7th edition of the "Social responsibility Week", held by the Portuguese Association of Business Ethics (APEE).
- Under the Lisbon Festivals'12, the Millennium bcp Foundation opened the exhibition "The Sardine is Ours!".The exhibition also was used to mark the opening of Millennium Gallery, a new space exclusively adapted for exhibitions.

- Within the celebration of the "African child day": i) Millennium Angola as carried an initiative within the "Happy Child" program bringing together Employees and about 200 children from several parishes of Luanda, in a program filled with numerous activities; and ii) the Millennium bim undertook an initiative within "A Clean City for me" project, through a cleaning action in the Coastal area and on the Costa do Sol beach, with the participation of students and teachers from Portuguese School of Mozambique and Polana Caniço Complete School.
- The Employees of Direct Banking in representation of Millennium bcp received the award "Solidarity Prize", from Porto Salvo Parish to reward the solidarity initiatives undertaken in partnership

FINANCIAL STATEMENTS

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 June, 2012 and 31 December, 2011

	30 June 2012	31 December 2011
	(Thousands of Euros)	
<i>Assets</i>		
Cash and deposits at central banks	1,717,472	2,115,945
Loans and advances to credit institutions		
Repayable on demand	989,022	1,577,410
Other loans and advances	5,443,880	2,913,015
Loans and advances to customers	66,202,466	68,045,535
Financial assets held for trading	2,007,971	2,145,330
Financial assets available for sale	7,221,221	4,774,114
Assets with repurchase agreement	45,299	495
Hedging derivatives	122,240	495,879
Financial assets held to maturity	3,742,148	5,160,180
Investments in associated companies	414,632	305,075
Non current assets held for sale	1,088,527	1,104,650
Investment property	560,731	560,567
Property and equipment	619,085	624,599
Goodwill and intangible assets	248,494	251,266
Current income tax assets	34,843	52,828
Deferred income tax assets	1,564,189	1,564,538
Other assets	976,969	1,790,650
	<u>92,999,189</u>	<u>93,482,076</u>
<i>Liabilities</i>		
Deposits from credit institutions	17,795,795	17,723,419
Deposits from customers	47,974,254	47,516,110
Debt securities issued	14,720,570	16,236,202
Financial liabilities held for trading	1,509,600	1,478,680
Other financial liabilities at fair value		
through profit or loss	237,022	2,578,990
Hedging derivatives	390,462	508,032
Provisions for liabilities and charges	269,627	246,100
Subordinated debt	4,207,360	1,146,543
Current income tax liabilities	5,262	24,037
Deferred income tax liabilities	3,654	2,385
Other liabilities	1,939,431	1,647,208
	<u>89,053,037</u>	<u>89,107,706</u>
<i>Equity</i>		
Share capital	3,000,000	6,065,000
Treasury stock	(10,796)	(11,422)
Share premium	71,722	71,722
Preference shares	171,175	171,175
Other capital instruments	9,853	9,853
Fair value reserves	(198,956)	(389,460)
Reserves and retained earnings	855,582	(1,241,490)
Net (loss) / income for the period attributable to Shareholders	(544,279)	(848,623)
	<u>3,354,301</u>	<u>3,826,755</u>
Total Equity attributable to Shareholders of the Bank		
Non-controlling interests	591,851	547,615
	<u>3,946,152</u>	<u>4,374,370</u>
Total Equity		
	<u>92,999,189</u>	<u>93,482,076</u>

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the six months period ended 30 June, 2012 and 2011

	30 June 2012	30 June 2011
	(Thousands of Euros)	
Interest and similar income	1,922,291	1,938,677
Interest expense and similar charges	(1,329,372)	(1,130,968)
Net interest income	592,919	807,709
Dividends from equity instruments	3,622	1,108
Net fees and commissions income	346,639	401,109
Net gains / (losses) arising from trading and hedging activities	320,457	(9,020)
Net gains / (losses) arising from financial assets available for sale	(10,586)	33,520
Net gains / (losses) arising from financial assets held to maturity	15,510	-
Other operating income/costs	(29,483)	4,933
	1,239,078	1,239,359
Other net income from non banking activities	10,571	9,725
Total operating income	1,249,649	1,249,084
Staff costs	349,195	381,243
Other administrative costs	283,988	283,989
Depreciation	42,198	47,945
Operating expenses	675,381	713,177
Operating net income before provisions and impairment	574,268	535,907
Loans impairment	(987,269)	(562,127)
Other financial assets impairment	(11,256)	(3,475)
Other assets impairment	(75,797)	(42,120)
Other provisions	(20,926)	37,916
Operating net income	(520,980)	(33,899)
Share of profit of associates under the equity method	30,243	24,061
Gains / (losses) from the sale of subsidiaries and other assets	(10,711)	(4,447)
Net (loss) / income before income tax	(501,448)	(14,285)
Income tax		
Current	(38,159)	(42,184)
Deferred	34,818	210,972
Net (loss) / income after income tax	(504,789)	154,503
Attributable to:		
Shareholders of the Bank	(544,279)	114,262
Non-controlling interests	39,490	40,241
Net (loss) / income for the period	(504,789)	154,503
Earnings per share (in Euros)		
Basic	(0.15)	0.03
Diluted	(0.15)	0.03

ANNEXES

COMPLIANCE WITH THE RECOMMENDATIONS OF THE FINANCIAL STABILITY FORUM AND EUROPEAN BANKING AUTHORITY REGARDING THE TRANSPARENCY OF INFORMATION AND VALUATION OF ASSETS

	Page
I. Business Model	
1. Description of the business model (i.e. of the reasons for engaging in activities and of the contribution to value creation process) and, if applicable of any changes made (e.g. as a result of crisis).	<i>2012 First Half Report (Management Report) - Business Model, pages 12-14; Internal Organization Model, pages 18-21; Segmental Reporting pages 59-101</i>
2. Description of strategies and objectives.	<i>2012 First Half Report (Management Report) -Strategy, pages 28-29</i>
3. Description of importance of activities and contribution to business (including a discussion in quantitative terms).	<i>2011 Annual Report (Management Report) - Segmental Reporting, pages 59-101; (Notes to Financial Statements) - Segmental Reporting</i>
4. Description on the type of activities including a description of the instruments as well as of their functioning and qualifying criteria that products/investments have to meet.	<i>2011 Annual Report (Management Report) - Risk Management, pages 102-115; (Notes to Financial Statements) - Financial assets held for trading and available for sale; Hedging Derivatives; Assets held to maturity</i>
5. Description of the role and the extent of involvement of the institution, i.e. Commitments and obligations.	
II. Risks and risk management	
6. Description of the nature and extent of risks incurred in relation to the activities and instruments.	<i>2012 First Half Report (Management Report) - Risk Management, pages 102-115; (Notes to Financial Statements) - Net gains (losses) arising from trading and hedging activities; Net gains (losses) arising from available for sale financial assets; Risk Management</i>
7. Description of risk management practices of relevance to the activities, of any identified weaknesses of any corrective measures that have been taken to address these; (In the current crisis, particular attention should be given to liquidity risk.)	<i>2011 Annual Report (Management Report) - Risk Management, pages 102-115; (Notes to Financial Statements) - Risk Management</i>
III. Impact of the crisis on results	
8. Qualitative and quantitative description of results, with a focus on losses (where applicable) and write-downs impacting the results.	<i>2012 First Half Report (Management Report) - Financial Review, pages 38-49; (Notes to Financial Statements) - Net gains (losses) arising from trading and hedging activities; Net gains (losses) arising from available for sale financial assets</i>

	Page
9. Breakdown of the write-downs/losses by types of products and instruments affected by the crisis (CMBS, RMBS, CDO, ABS and LBO further broken down by different criteria).	<i>2012 First Half Report (Management Report) -Exposure to activities and products affected by the recent financial crisis, page 116</i>
10. Description of the reasons and factors responsible for the impact incurred.	<i>2012 First Half Report (Management Report) -Macroeconomic and Environment, pages 25-27</i>
11. Comparison of (i) impacts between (relevant) periods and of (ii) income statement balances before and after the impact of the crisis.	<i>2011 Annual Report (Management Report) - Financial Review, pages 38-49</i>
12. Distinction of write-downs between realised and unrealised amounts.	<i>2012 First Half Report (Management Report) - Risk Management, pages 102-115; (Notes to Financial Statements) - Net gains (losses) arising from trading and hedging activities; Net gains (losses) arising from available for sale financial assets; Fair Value Reserves, other reserves and Retained Earnings</i>
13. Description of the influence of the crisis had on the firm's share price.	<i>2011 Annual Report (Management Report) - BCP Share, pages 30-36</i>
14. Disclosure of maximum loss risk and description of how the institution's situation could be affected by a further downturn or by a market recovery.	<i>2012 First Half Report (Management Report) - Risk Management, pages 102-115; (Notes to Financial Statements) - Fair Value Reserves, other reserves and Retained Earnings</i>
15. Disclosure of maximum loss risk and description how the institution's situation could be affected by a further downturn or by a market recovery.	<i>2011 Annual Report (Management Report) - Financial Review, pages 38-49; (Notes to Financial Statements) - Fair Value</i>
IV Exposure levels and types	
16. Nominal amount (or amortised cost) and fair values of outstanding exposures.	<i>2012 First Half Report (Management Report) - Exposure to activities and products affected by the recent financial crisis, page116x; (Notes to Financial Statements) - Financial assets held for trading and available for sale; Hedging Derivatives; Assets held to maturity</i>
17. Information on credit protection (e.g. through credit default swaps) and its effect on exposures.	<i>2012 First Half Report (Management Report) - Exposure to activities and products affected by the recent financial crisis, page 116</i>

	Page
<p>18. Detailed disclosure about exposures, with decomposition by:</p> <ul style="list-style-type: none"> – level of seniority of tranches; – level of credit quality (e.g. Ratings, investment grading, vintages); – geographic origin; – activity sector; – whether exposures have been originated, retained, warehoused or purchased; – product characteristics: e.g. Ratings, share of sub-prime mortgages, discount rates, attachment points, spreads, funding; – characteristics of the underlying assets: e.g. Vintages, loan-to-value ratios, information on liens, weighted average life of the underlying, prepayment speed assumptions, expected credit losses. 	<p><i>2012 First Half Report (Management Report) - Exposure to activities and products affected by the recent financial crisis, page 116</i></p>
<p>19. Movements schedules of exposures between relevant reporting periods and the underlying reasons (sales, disposals, purchases, etc.).</p>	<p><i>2012 First Half Report (Management Report) - Exposure to activities and products affected by the recent financial crisis, page 116</i></p>
<p>20. Discussion of exposures that have not been consolidated (or that have been recognised in the course of the crisis) and the related reasons.</p>	<p><i>2012 First Half Report (Management Report) - Exposure to activities and products affected by the recent financial crisis, page 116</i></p>
<p>21. Exposure to monoline insurers and quality of insured assets:</p> <ul style="list-style-type: none"> – nominal amounts (or amortised cost) of insured exposures as well as of the amount of credit protection bought; – fair values of the outstanding exposures as well as of the related credit protection; – amount of write-downs and losses, differentiated into realised and unrealised amounts; – breakdowns of exposures by ratings or counterparty. 	<p><i>2012 First Half Report (Management Report) - Exposure to activities and products affected by the recent financial crisis, page 116</i></p>
<p>V. Accounting policies and valuation issues</p>	
<p>22. Classification of the transactions and structured products for accounting purposes and the related accounting treatment;</p>	<p><i>2012 First Half Report (Management Report) - Exposure to activities and products affected by the recent financial crisis, page 116; (Notes to Financial Statements) - Fair Value Reserves, other reserves and Retained Earnings; Fair Value</i></p>

	Page
23. Consolidation of SPEs and other vehicles (such as VIEs) and a reconciliation of these of the structured products affected by the sub-prime crisis;	<i>2012 First Half Report (Management Report) - Exposure to activities and products affected by the recent financial crisis, page 116; (Notes to Financial Statements) - Accounting Policies</i>
24. Detailed disclosures on fair values of financial instruments: <ul style="list-style-type: none"> - financial instruments to which fair values are applied; - fair value hierarchy (a breakdown of all exposures at fair value by different levels of the fair value hierarchy and a breakdown between cash and derivative instruments as well as disclosures on migrations between the different levels); - treatment of day 1 profits (including quantitative information); - use of the fair value option (including its conditions for use) and related amounts (with appropriate breakdowns). 	<i>2012 First Half Report (Management Report) - Risk Management pages 102-115; (Notes to Financial Statements) - Financial assets held for trading and available for sale; Hedging Derivatives; Assets held to maturity; Fair Value Reserves, other reserves and Retained Earnings; Fair Value</i>
25. Disclosures on the modelling techniques used for the valuation of financial instruments, including: <ul style="list-style-type: none"> - description of modelling techniques and of the instruments to which they are applied; - description of valuation processes (including in particular discussions of assumptions and input factors the models rely on); - types of adjustments applied to reflect model risk and other valuation uncertainties; - sensitivity of fair values; - stress scenarios. 	<i>2012 First Half Report (Management Report) - Risk Management pages 102-115; (Notes to Financial Statements) - Fair Value; Risk Management</i>
VI. Other disclosure aspects	
26. Description of disclosure.	<i>2012 First Half Report (Management Report) - Risk Management pages 102-115; (Notes to Financial Statements) - Fair Value; Risk Management</i>

INTERIM FINANCIAL STATEMENTS

First Half of 2012

Banco Comercial Português

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**30 June
2012**

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement for the six months period ended 30 June, 2012 and 2011

	Notes	<u>30 June 2012</u>	<u>30 June 2011</u>
(Thousands of Euros)			
Interest and similar income	3	1,922,291	1,938,677
Interest expense and similar charges	3	<u>(1,329,372)</u>	<u>(1,130,968)</u>
Net interest income		592,919	807,709
Dividends from equity instruments	4	3,622	1,108
Net fees and commissions income	5	346,639	401,109
Net gains / (losses) arising from trading and hedging activities	6	320,457	(9,020)
Net gains / (losses) arising from financial assets available for sale	7	(10,586)	33,520
Net gains / (losses) arising from financial assets held to maturity	8	15,510	-
Other operating income/costs	9	<u>(29,483)</u>	<u>4,933</u>
		1,239,078	1,239,359
Other net income from non banking activities		<u>10,571</u>	<u>9,725</u>
Total operating income		<u>1,249,649</u>	<u>1,249,084</u>
Staff costs	10	349,195	381,243
Other administrative costs	11	283,988	283,989
Depreciation	12	<u>42,198</u>	<u>47,945</u>
Operating expenses		<u>675,381</u>	<u>713,177</u>
Operating net income before provisions and impairment		574,268	535,907
Loans impairment	13	(987,269)	(562,127)
Other financial assets impairment	14	(11,256)	(3,475)
Other assets impairment	28, 30 and 33	(75,797)	(42,120)
Other provisions	15	<u>(20,926)</u>	<u>37,916</u>
Operating net income		(520,980)	(33,899)
Share of profit of associates under the equity method	16	30,243	24,061
Gains / (losses) from the sale of subsidiaries and other assets	17	<u>(10,711)</u>	<u>(4,447)</u>
Net (loss) / income before income tax		(501,448)	(14,285)
Income tax			
Current	18	(38,159)	(42,184)
Deferred	18	<u>34,818</u>	<u>210,972</u>
Net (loss) / income after income tax		<u>(504,789)</u>	<u>154,503</u>
Attributable to:			
Shareholders of the Bank		(544,279)	114,262
Non-controlling interests	46	<u>39,490</u>	<u>40,241</u>
Net (loss) / income for the period		<u>(504,789)</u>	<u>154,503</u>
Earnings per share (in Euros)	19		
Basic		(0.15)	0.03
Diluted		(0.15)	0.03

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 June, 2012 and 31 December, 2011

	Notes	30 June 2012	31 December 2011
		(Thousands of Euros)	
Assets			
Cash and deposits at central banks	20	1,717,472	2,115,945
Loans and advances to credit institutions			
Repayable on demand	21	989,022	1,577,410
Other loans and advances	22	5,443,880	2,913,015
Loans and advances to customers	23	66,202,466	68,045,535
Financial assets held for trading	24	2,007,971	2,145,330
Financial assets available for sale	24	7,221,221	4,774,114
Assets with repurchase agreement		45,299	495
Hedging derivatives	25	122,240	495,879
Financial assets held to maturity	26	3,742,148	5,160,180
Investments in associated companies	27	414,632	305,075
Non current assets held for sale	28	1,088,527	1,104,650
Investment property	29	560,731	560,567
Property and equipment	30	619,085	624,599
Goodwill and intangible assets	31	248,494	251,266
Current income tax assets		34,843	52,828
Deferred income tax assets	32	1,564,189	1,564,538
Other assets	33	976,969	1,790,650
		92,999,189	93,482,076
Liabilities			
Deposits from credit institutions	34	17,795,795	17,723,419
Deposits from customers	35	47,974,254	47,516,110
Debt securities issued	36	14,720,570	16,236,202
Financial liabilities held for trading	37	1,509,600	1,478,680
Other financial liabilities at fair value			
through profit or loss	38	237,022	2,578,990
Hedging derivatives	25	390,462	508,032
Provisions for liabilities and charges	39	269,627	246,100
Subordinated debt	40	4,207,360	1,146,543
Current income tax liabilities		5,262	24,037
Deferred income tax liabilities	32	3,654	2,385
Other liabilities	41	1,939,431	1,647,208
		89,053,037	89,107,706
Equity			
Share capital	42	3,000,000	6,065,000
Treasury stock	45	(10,796)	(11,422)
Share premium		71,722	71,722
Preference shares	42	171,175	171,175
Other capital instruments	42	9,853	9,853
Fair value reserves	44	(198,956)	(389,460)
Reserves and retained earnings	44	855,582	(1,241,490)
Net (loss) / income for the period attributable to Shareholders		(544,279)	(848,623)
		3,354,301	3,826,755
Total Equity attributable to Shareholders of the Bank			
Non-controlling interests	46	591,851	547,615
		3,946,152	4,374,370
Total Equity		92,999,189	93,482,076
CHIEF ACCOUNTANT		THE EXECUTIVE COMMITTEE	

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement for the three months period ended 30 June, 2012 and 2011

	<u>Second quarter 2012</u>	<u>Second quarter 2011</u>
	(Thousands of Euros)	
Interest and similar income	909,644	991,803
Interest expense and similar charges	<u>(634,202)</u>	<u>(585,658)</u>
Net interest income	275,442	406,145
Dividends from equity instruments	3,326	1,081
Net fees and commissions income	176,718	205,684
Net gains / (losses) arising from trading and hedging activities	151,679	(8,278)
Net gains / (losses) arising from available for sale financial assets	(17,634)	6,299
Other operating income	<u>(18,357)</u>	<u>(13,392)</u>
	571,174	597,539
Other net income from non banking activities	<u>5,852</u>	<u>4,621</u>
Total operating income	<u>577,026</u>	<u>602,160</u>
Staff costs	142,643	206,623
Other administrative costs	142,640	144,581
Depreciation	<u>20,720</u>	<u>23,117</u>
Operating expenses	<u>306,003</u>	<u>374,321</u>
Operating net income before provisions and impairment	271,023	227,839
Loans impairment	(817,005)	(395,560)
Other financial assets impairment	(10,440)	(733)
Other assets impairment	(38,842)	(17,028)
Other provisions	<u>(12,413)</u>	<u>41,440</u>
Operating net income	(607,677)	(144,042)
Share of profit of associates under the equity method	17,392	7,331
Gains / (losses) from the sale of subsidiaries and other assets	<u>(2,653)</u>	<u>(1,213)</u>
Net (loss) / income before income tax	(592,938)	(137,924)
Income tax		
Current	(17,162)	(16,893)
Deferred	<u>46,011</u>	<u>200,443</u>
Net (loss) / income after income tax	<u>(564,089)</u>	<u>45,626</u>
Attributable to:		
Shareholders of the Bank	(585,038)	24,163
Non-controlling interests	<u>20,949</u>	<u>21,463</u>
Net (loss) / income for the period	<u>(564,089)</u>	<u>45,626</u>
Earnings per share (in Euros)		
Basic	(0.33)	0.02
Diluted	(0.33)	0.02

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

BANCO COMERCIAL PORTUGUÊS
Consolidated Cash Flows Statement
for the six months period ended 30 June, 2012 and 2011

	30 June 2012	30 June 2011
	(Thousands of Euros)	
<i>Cash flows arising from operating activities</i>		
Interest income received	1,768,276	1,728,026
Commissions income received	466,227	483,605
Fees received from services rendered	69,941	52,942
Interest expense paid	(1,260,759)	(1,162,609)
Commissions expense paid	(146,309)	(73,810)
Recoveries on loans previously written off	9,024	9,496
Net earned premiums	9,428	10,704
Claims incurred	(6,474)	(5,424)
Payments to suppliers and employees	(801,422)	(846,756)
	<u>107,932</u>	<u>196,174</u>
<i>Decrease / (increase) in operating assets:</i>		
Loans and advances to credit institutions	(231,198)	(342,331)
Deposits with Central Banks under monetary regulations	(1,991,912)	72,510
Loans and advances to customers	1,561,816	(113,440)
Short term trading account securities	387,278	923,912
<i>Increase / (decrease) in operating liabilities:</i>		
Deposits from credit institutions repayable on demand	154,171	(58,592)
Deposits from credit institutions with agreed maturity date	(107,584)	580,546
Deposits from clients repayable on demand	(199,366)	132,102
Deposits from clients with agreed maturity date	619,670	1,919,131
	<u>300,807</u>	<u>3,310,012</u>
Income taxes (paid) / received	(23,343)	(27,172)
	<u>277,464</u>	<u>3,282,840</u>
<i>Cash flows arising from investing activities</i>		
Dividends received	8,556	5,014
Interest income from available for sale financial assets	226,303	158,267
Proceeds from sale of available for sale financial assets	9,143,915	9,953,978
Available for sale financial assets purchased	(24,225,330)	(12,136,069)
Proceeds from available for sale financial assets on maturity	12,793,367	984,555
Acquisition of fixed assets	(38,905)	(33,230)
Proceeds from sale of fixed assets	8,493	1,408
Decrease / (increase) in other sundry assets	2,035,613	228,305
	<u>(47,988)</u>	<u>(837,772)</u>
<i>Cash flows arising from financing activities</i>		
Issuance of subordinated debt	3,114,828	213,737
Reimbursement of subordinated debt	(44,145)	(766,714)
Issuance of debt securities	6,064,122	550,768
Reimbursement of debt securities	(8,429,481)	(3,388,557)
Issuance of commercial paper and other securities	4,614	275,852
Reimbursement of commercial paper and other securities	(1,444,664)	(543,895)
Share capital increase	-	250,059
Dividends paid to non-controlling interests	(10,809)	(19,099)
Increase / (decrease) in other sundry liabilities and non-controlling interests	(188,943)	976,572
	<u>(934,478)</u>	<u>(2,451,277)</u>
Exchange differences effect on cash and equivalents	<u>26,261</u>	<u>(858)</u>
Net changes in cash and equivalents	(678,741)	(7,067)
Cash and equivalents at the beginning of the period	<u>2,268,554</u>	<u>1,952,447</u>
Cash (note 20)	600,791	636,551
Other short term investments (note 21)	989,022	1,308,829
Cash and equivalents at the end of the period	<u><u>1,589,813</u></u>	<u><u>1,945,380</u></u>

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Statement of Changes in Equity for the six months period ended 30 June, 2012 and 2011

(Amounts expressed in thousands of Euros)

	Total equity	Share capital	Preference shares	Other capital instruments	Share premium	Legal and statutory reserves	Other comprehensive income		Other reserves and retained earnings	Goodwill	Treasury stock	Non-controlling interests
							Fair value and Cash Flow hedged reserves	Other				
Balance on 31 December, 2010	7,247,476	4,694,600	1,000,000	1,000,000	192,122	466,042	(166,361)	(78,052)	2,607,142	(2,883,580)	(81,938)	497,501
Changes in the accounting policy of recognition of the actuarial gains/losses (note 58)	(1,635,875)	-	-	-	-	-	-	(1,678,720)	42,845	-	-	-
Balance on 1 January, 2011	5,611,601	4,694,600	1,000,000	1,000,000	192,122	466,042	(166,361)	(1,756,772)	2,649,987	(2,883,580)	(81,938)	497,501
Transfers to reserves (note 44):												
Legal reserve	-	-	-	-	-	30,065	-	-	(30,065)	-	-	-
Statutory reserve	-	-	-	-	-	10,000	-	-	(10,000)	-	-	-
Share capital increase through the issue of shares, conversion of perpetual subordinated securities and incorporation of reserves (note 42)	259,853	1,370,400	-	(990,147)	(120,400)	-	-	-	-	-	-	-
Costs related to the capita increase	(9,794)	-	-	-	-	-	-	-	(9,794)	-	-	-
Costs related to the issue of perpetual subordinated instruments	(21,345)	-	-	-	-	-	-	-	(21,345)	-	-	-
Tax related to the interest charge on the issue of perpetual subordinated instruments	5,358	-	-	-	-	-	-	-	5,358	-	-	-
Actuarial losses for the period	(18,453)	-	-	-	-	-	-	(18,453)	-	-	-	-
Net income for the period attributable to Shareholders of the Bank	114,262	-	-	-	-	-	-	-	114,262	-	-	-
Net income for the period attributable to Non-controlling interests (note 46)	40,241	-	-	-	-	-	-	-	-	-	-	40,241
Registration costs related with the increase in share capital April 2008	(91)	-	-	-	-	-	-	-	(91)	-	-	-
Dividends on preference shares	(27,715)	-	-	-	-	-	-	-	(27,715)	-	-	-
Treasury stock	2,430	-	-	-	-	-	-	-	-	2,430	-	-
Exchange differences arising on consolidation	(858)	-	-	-	-	-	-	(858)	-	-	-	-
Fair value reserves (note 44)												
Financial instruments available for sale	(183,890)	-	-	-	-	-	(183,890)	-	-	-	-	-
Cash-flow hedge	(7,022)	-	-	-	-	-	(7,022)	-	-	-	-	-
Non-controlling interests (note 46)	(26,198)	-	-	-	-	-	-	-	-	-	-	(26,198)
Other reserves arising on consolidation (note 44)	187	-	-	-	-	-	-	-	187	-	-	-
Balance on 30 June, 2011	5,738,566	6,065,000	1,000,000	9,853	71,722	506,107	(357,273)	(1,776,083)	2,670,784	(2,883,580)	(79,508)	511,544
Costs related to the capital increase	(68)	-	-	-	-	-	-	-	(68)	-	-	-
Exchange of debt instruments and perpetual preferred shares for new debt instruments	(388,390)	-	(828,825)	-	-	-	-	-	440,435	-	-	-
Actuarial losses for the period	(12,842)	-	-	-	-	-	-	(12,842)	-	-	-	-
Interest charge related to the issue of perpetual subordinated instruments	(250)	-	-	-	-	-	-	-	(250)	-	-	-
Tax related to the interest charge on the issue of perpetual subordinated instruments	63	-	-	-	-	-	-	-	63	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(962,885)	-	-	-	-	-	-	-	(962,885)	-	-	-
Net income for the period attributable to non-controlling interests (note 46)	45,612	-	-	-	-	-	-	-	-	-	-	45,612
Tax and issuance costs related with capital instruments	(11)	-	-	-	-	-	-	-	(11)	-	-	-
Dividends on preference shares	(28,838)	-	-	-	-	-	-	-	(28,838)	-	-	-
Treasury stock	68,086	-	-	-	-	-	-	-	-	68,086	-	-
Exchange differences arising on consolidation	(39,332)	-	-	-	-	-	-	(39,332)	-	-	-	-
Fair value reserves (note 44)												
Financial instruments available for sale	(63,190)	-	-	-	-	-	(63,190)	-	-	-	-	-
Cash-flow hedge	31,003	-	-	-	-	-	31,003	-	-	-	-	-
Non-controlling interests (note 46)	(9,541)	-	-	-	-	-	-	-	-	-	-	(9,541)
Other reserves arising on consolidation (note 44)	(3,613)	-	-	-	-	-	-	-	(3,613)	-	-	-
Balance on 31 December, 2011	4,374,370	6,065,000	171,175	9,853	71,722	506,107	(389,460)	(1,828,257)	2,115,617	(2,883,580)	(11,422)	547,615
Reduction of the share capital (note 42)	-	(3,065,000)	-	-	-	123,893	-	-	2,941,107	-	-	-
Actuarial losses for the period (note 51)	(143,027)	-	-	-	-	-	-	(143,027)	-	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(544,279)	-	-	-	-	-	-	-	(544,279)	-	-	-
Net income for the period attributable to non-controlling interests (note 46)	39,490	-	-	-	-	-	-	-	-	-	-	39,490
Impact of the sell of 2.637% of Banco Millennium Angola	(782)	-	-	-	-	-	-	-	(782)	-	-	-
Treasury stock	626	-	-	-	-	-	-	-	-	626	-	-
Exchange differences arising on consolidation	26,260	-	-	-	-	-	-	26,260	-	-	-	-
Fair value reserves (note 44)												
Financial instruments available for sale	209,441	-	-	-	-	-	209,441	-	-	-	-	-
Cash-flow hedge	(18,937)	-	-	-	-	-	(18,937)	-	-	-	-	-
Non-controlling interests (note 46)	4,746	-	-	-	-	-	-	-	-	-	-	4,746
Other reserves arising on consolidation (note 44)	(1,756)	-	-	-	-	-	-	-	(1,756)	-	-	-
Balance on 30 June, 2012	3,946,152	3,000,000	171,175	9,853	71,722	630,000	(198,956)	(1,945,024)	4,509,907	(2,883,580)	(10,796)	591,851

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS
Statement of Comprehensive income
for the six months period ended 30 June, 2012 and 2011

	Notes	<u>30 June 2012</u>	<u>30 June 2011</u>
		(Thousands of Euros)	
Fair value reserves			
Financial assets available for sale	44	263,878	(222,495)
Cash-Flow hedge	44	(23,382)	(8,669)
Taxes			
Financial assets available for sale	44	(54,437)	38,605
Cash-Flow hedge	44	4,445	1,647
		<u>190,504</u>	<u>(190,912)</u>
Actuarial losses for the period			
Gross value		(154,908)	(27,648)
Taxes		11,881	9,195
		<u>(143,027)</u>	<u>(18,453)</u>
Exchange differences arising on consolidation	44	26,260	(858)
Comprehensive income recognised directly in Equity after taxes		73,737	(210,223)
Net (loss) / income for the period		<u>(504,789)</u>	<u>154,503</u>
Total Comprehensive income for the period		<u>(431,052)</u>	<u>(55,720)</u>
Attributable to:			
Shareholders of the Bank		(470,542)	(95,961)
Non-controlling interests		39,490	40,241
Total Comprehensive income for the period		<u>(431,052)</u>	<u>(55,720)</u>

BANCO COMERCIAL PORTUGUÊS
Statement of Comprehensive income
for the three months period ended 30 June, 2012 and 2011

	Second quarter 2012	Second quarter 2011
	(Thousands of Euros)	
Fair value reserves		
Financial assets available for sale	124,326	(149,564)
Cash-Flow hedge	1,824	1,151
Taxes		
Financial assets available for sale	(32,478)	32,904
Cash-Flow hedge	(344)	(219)
	93,328	(115,728)
Actuarial losses for the period		
Gross value	(154,908)	(27,648)
Taxes	11,881	9,195
	(143,027)	(18,453)
Exchange differences arising on consolidation	(1,787)	10,143
Comprehensive income recognised directly in Equity after taxes	(51,486)	(124,038)
Net (loss) / income for the period	(564,089)	45,626
Total Comprehensive income for the period	(615,575)	(78,412)
Attributable to:		
Shareholders of the Bank	(636,524)	(99,875)
Non-controlling interests	20,949	21,463
Total Comprehensive income for the period	(615,575)	(78,412)

BANCO COMERCIAL PORTUGUÊS

Notes to the Interim Consolidated Financial Statements

30 June, 2012

1. Accounting policies

a) Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a public bank, established in Portugal in 1985. It started operations on 5 May, 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the six months period ended 30 June, 2012 and 2011.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002, and as transposed into Portuguese Law through Decree-Law no. 35/2005, of 17 February and Regulation no. 1/2005 from the Bank of Portugal, the Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU') since the year 2005. IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and their predecessor bodies. The consolidated financial statements presented were approved on 23 August 2012 by the Bank's Executive Committee. The financial statements are presented in thousands of euros, rounded to the nearest thousand.

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

The consolidated financial statements for the six months ended 30 June, 2012 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date, and the disclosures in accordance with the requirements set by IAS 34. These financial statements also present a statement of the second quarter of 2012 with comparative figures for the second quarter of last year. The financial statements for the six months ended 30 June, 2012 do not include all information to be disclosed in annual financial statements.

According to one of the options allowed by IAS 19 Employee Benefits, the Group decided in 2011 for a change in the accounting policy for recognition of actuarial gains and losses, starting to recognise the actuarial gains and losses of the year against reserves. In accordance with IAS 8, this change in accounting policy is presented for comparative purposes from 1 January 2011, recognising in that date all the deferred actuarial gains and losses determined at that date in equity. Thus, the balance Reserves and retained earnings includes, with effective date 1 January 2011, the restatement resulted from the referred change in the accounting policy.

Previously, the Group proceeded to the deferral of actuarial gains and losses determined in accordance with the corridor method. Under this method, actuarial gains and losses not recognised that exceed 10% of the greater of the present value of the liabilities and the fair value of the Fund's assets are recorded in the income statement for the period corresponding to the estimated remaining useful life of the employees in service.

The accounting policies set out below have been applied consistently throughout the Group's entities and for all periods presented in these consolidated financial statements.

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

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

b) Basis of consolidation

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

Investments in subsidiaries

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

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

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

Investments in associates

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

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

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

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

Goodwill

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

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

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

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

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

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

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

Purchases and dilution of non-controlling interests

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

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

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

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Grupo in results for the year.

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

Special Purpose Entities ('SPEs')

The Group fully consolidates SPEs resulting from securitization operation with assets from Group entities (as referred in note 22) and resulting from operations regarding the sale of customer loans when the substance of the relation with those entities indicates that the Group exercises control over its activities, independently of the percentage of the equity held. Other than these SPEs resulting from securitization operations and the sale of loans, no additional SPEs have been consolidated considering that they do not meet the criteria established on SIC 12 as described below.

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

- The activities of the SPE, in substance, are being conducted on behalf of the Group, in accordance with the specific needs of the Group's business, in order to obtain benefits from these activities;
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an "autopilot" mechanism, the Group has delegated these decision-making powers;
- The Group has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks inherent to the activities of the SPE;
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Investment fund management

The Group manages the assets held by investment funds for which the participation units are held by third parties. The financial statements of these entities are not consolidated by the Group, except when the Group has the control over these investment funds, namely when it holds more than 50% of the participation units.

When the Group consolidates real estate investment funds, the real estate property resulting from these funds are classified as investment property, as described in note 1 r).

Investments in foreign subsidiaries and associates

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

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

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

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

Investments in jointly controlled entities

Jointly controlled entities, consolidated under the proportional method, are entities where the Group has joint control, established by contractual agreement. The consolidated financial statements include, in the corresponding captions, the Group's proportional share of the entities' assets, liabilities, revenue and expenses, with items of a similar nature on a line by line basis, from the date that joint control started until the date that joint control ceases.

Transactions eliminated on consolidation

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

c) Loans and advances to customers

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

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

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

Impairment

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

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

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

(i) Individually assessed loans

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

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

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

(ii) Collective assessment

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

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

The collective impairment loss is determined considering the following factors:

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

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

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

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

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

The interest from debt instruments is recognised as interest margin.

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

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

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

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

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

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

2) Financial assets available for sale

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

3) Financial assets held-to-maturity

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

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

4) Loans and receivables - Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

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

(ii) Impairment

An assessment is made at each balance sheet date as to whether there is any objective evidence of impairment, namely circumstances where an adverse impact on estimated future cash flows of the financial asset or group of financial assets can be reliably estimated or based on a significant or prolonged decrease in the fair value, below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. The impairment losses recognised in equity instruments classified as available for sale, when reversed, are recognised against fair value reserves.

(iii) Embedded derivatives

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

e) Derivatives hedge accounting

(i) Hedge accounting

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

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

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

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

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

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

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

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

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

(iv) Hedge effectiveness

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

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

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

f) Reclassifications between financial instruments categories

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

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The Group adopted this possibility for a group of financial assets, as disclosed in note 24.

Transfer of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables - Loans represented by securities and Financial assets held-to-maturity are permitted.

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

g) Derecognition

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

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

h) Equity instruments

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

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

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

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

i) Compound financial instruments

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

j) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

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

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

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

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

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

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

The subsequent accounting of these assets is determined based on the lower of the carrying amount and the corresponding fair value net of expenses. In case of unrealised losses, these should be recognised as impairment losses against results.

l) Finance lease transactions

Finance lease transactions for a lessee are recorded at the inception of the lease as an asset and liability, at the fair value of the leased asset, which is equivalent to the present value of the future lease payments.

Lease rentals are a combination of the finance charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

Assets held under finance leases for a lessor are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease.

Lease rentals are a combination of the financial income and amortization of the capital outstanding.

Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

m) Interest income and expense

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

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

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

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

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

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

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

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

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

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

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

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

p) Fiduciary activities

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

q) Property and equipment

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The Group performs impairment testing whenever events or circumstances indicate that the book value exceeds the highest between the value in use and the fair value less costs to sell, being the difference charged to the profit and loss.

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

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

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

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

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

r) Investment property

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

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

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

s) Intangible Assets

Research and development expenditure

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

Software

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

t) Cash and cash equivalents

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

Cash and cash equivalents exclude restricted balances with central banks.

u) Offsetting

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

v) Foreign currency transactions

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

w) Employee benefits

Defined benefit plans

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

As for the benefits estimated in the two previous pensions plans, the Group also assumed the responsibility, if some conditions are met in each year, of the attribution of a complementary plan to the employees of the Group, after due consideration of the requirements of the collective labour agreements applicable to each sector (complementary plan).

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

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

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

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

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

As referred in note 1a) and note 58, according to one of the options allowed by IAS 19 Employee Benefits, the Group decided in 2011 to change the accounting policy for recognition of actuarial gains and losses, starting to recognise the actuarial gains and losses of the year against reserves. In accordance with IAS 8, this change in accounting policy is presented for comparative purposes from 1 January 2010, recognizing in that date all the deferred actuarial gains and losses in equity.

Previously, the Group proceeded to the deferral of actuarial gains and losses determined in accordance with the corridor method. Under the corridor method, actuarial gains and losses not recognised that exceed 10% of the greater of the present value of the liabilities and the fair value of the Fund's assets are recorded in the income statement for the period corresponding to the estimated remaining useful life of the employees in service.

The current services cost plus the interest cost on the unwinding of the Pension liabilities less the expected return on the Plan assets are recorded in operational costs.

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

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

Costs arising from early retirements are recognised in the income statement on the year in which the early retirement is approved and announced.

Gains and losses for the year are recognised against reserves in the year they occur.

The funding policy of the Plan is to make annual contributions by each Group company so as to cover the projected benefits obligations, including the non-contractual projected benefits. The minimum level required for the funding is 100% regarding the liability with pensioners and 95% regarding the employees in service.

Defined contribution plan

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

Share based compensation plan

As at 30 June 2012 there are no share based compensation plans in force.

Variable remuneration paid to employees

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

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

x) Income taxes

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

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

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

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

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

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

y) *Segmental reporting*

The Group determines and presents the operational segments based on the management information prepared for internal purposes.

An operational segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services, in a specific economic environment and that is subject to risks and returns that are different from those of other business segments, which operates in different economic environments. The Group controls its activity through the following major operating segments:

Portugal

- Retail Banking;
- Companies (which includes companies in Portugal, Corporate and Investment Banking);
- Asset management and Private Banking.

Foreign activity

- Poland;
- Greece;
- Angola;
- Mozambique.

Others

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

z) *Provisions*

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

On the cases that the discount effect is material, provision corresponds to actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

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

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

aa) *Earnings per share*

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

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

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

ab) Insurance contracts

Classification

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

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

Recognition and measurement

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

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

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

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

Premiums

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

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

Provision for unearned premiums from direct insurance and reinsurance premiums ceded

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

Liability adequacy test

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

ac) Accounting estimates and judgements in applying accounting policies

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

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

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

Impairment of financial assets available for-sale

The Group determines that financial assets available for-sale are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets.

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

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

Impairment losses on loans and advances to customers

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

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

Fair value of derivatives

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

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

Held-to-maturity investments

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

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

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

Securitizations and special purpose entities (SPEs)

The Group sponsors the formation of SPEs primarily for asset securitization transactions for liquidity purposes and/or capital management.

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

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

In the scope of the application of this accounting policy and in accordance with note 22, the following SPEs resulting from securitization transactions were included in the consolidation perimeter: NovaFinance n.4, Magellan n.2 and 3, Kion n.1 and 3, Kion CLO Finance n.1, Orchis Sp zo.o, Caravela SME n.1 and 2 and Tagus Leasing n.1. The Group did not consolidate the following SPEs also resulting from securitization transactions: Magellan n. 1 and 4. For these SPEs, which are not recognised in the balance sheet, the Group concluded that the main risks and the benefits were transferred, as the Group does not hold any security issued by the SPE, that are exposed to the majority of the residual risks, neither is exposed to the performance of the credit portfolios.

Income taxes

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

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

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

Pension and other employees' benefits

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

Changes in these assumptions could materially affect these values.

Goodwill impairment

Goodwill recoverable amount recognised as an asset of the Group is revised annually regardless the existence of impairment losses.

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

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

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

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Net interest income	592,919	807,709
Net gains/(losses) from trading and hedging assets	320,457	(9,020)
Net gains/(losses) from financial assets available for sale	(10,586)	33,520
Net gains/(losses) from financial assets held to maturity	15,510	-
	<u>918,300</u>	<u>832,209</u>

3. Net interest income

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
<i>Interest and similar income</i>		
Interest on loans and advances	1,526,041	1,485,138
Interest on trading securities	19,932	67,552
Interest on available for sale financial assets	160,540	86,349
Interest on held to maturity financial assets	69,040	98,227
Interest on hedging derivatives	108,970	131,349
Interest on derivatives associated to financial instruments through profit and loss account	3,893	38,313
Interest on deposits and other investments	33,875	31,749
	<u>1,922,291</u>	<u>1,938,677</u>
<i>Interest expense and similar charges</i>		
Interest on deposits and inter-bank funding	963,434	764,220
Interest on securities sold under repurchase agreement	8,251	9,744
Interest on securities issued	335,109	268,088
Interest on hedging derivatives	9,405	13,002
Interest on derivatives associated to financial instruments through profit and loss account	843	9,494
Interest on other financial liabilities valued at fair value through profit and loss account	12,330	66,420
	<u>1,329,372</u>	<u>1,130,968</u>
Net interest income	<u>592,919</u>	<u>807,709</u>

The balance of Interest on loans and advances includes the amount of Euros 32,573,000 (30 June 2011: Euros 23,656,000) related to commissions and other gains / losses which are accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

4. Dividends from equity instruments

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Dividends from financial assets available for sale	3,122	1,107
Other	500	1
	3,622	1,108

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

5. Net fees and commissions income

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
<i>Fees and commissions income</i>		
From guarantees	55,000	53,629
From credit and commitments	98	170
From banking services	266,101	279,227
From insurance activity	699	374
From other services	118,492	129,757
	440,390	463,157
<i>Fees and commissions expenses</i>		
From guarantees	35,779	1,704
From banking services	42,287	41,602
From insurance activity	720	406
From other services	14,965	18,336
	93,751	62,048
Net fees and commission income	346,639	401,109

As at 30 June 2012, the caption Fees and commissions expenses - from guarantees includes the amount of 33,338,000 related to commissions payed in accordance with the issues accounted under the scope of the guarantee given by the Portuguese State.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
<i>Gains arising on trading and hedging activities</i>		
Foreign exchange activity	781,165	4,068,188
Transactions with financial instruments recognized at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	39,166	11,372
Variable income	6,579	5,496
Certificates and structured securities issued	5,876	25,032
Derivatives associated to financial instruments through profit and loss account	30,170	48,941
Other financial instruments derivatives	1,002,900	975,364
Other financial instruments through profit and loss account	8,507	128,179
Repurchase of debt securities issued	310,497	43,062
Hedging accounting		
Hedging derivatives	71,435	236,318
Hedged item	6,451	165,954
Other activity	6,935	2,032
	<u>2,269,681</u>	<u>5,709,938</u>
<i>Losses arising on trading and hedging activities</i>		
Foreign exchange activity	734,063	4,020,017
Transactions with financial instruments recognized at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	3,456	155,661
Variable income	10,379	3,340
Certificates and structured securities issued	8,141	28,202
Derivatives associated to financial instruments through profit and loss account	10,115	63,999
Other financial instruments derivatives	957,042	945,360
Other financial instruments through profit and loss account	75,281	76,763
Repurchase of debt securities issued	8,942	1,788
Hedging accounting		
Hedging derivatives	46,662	335,306
Hedged item	70,175	55,543
Other activity	24,968	32,979
	<u>1,949,224</u>	<u>5,718,958</u>
Net gains / (losses) arising from trading and hedging activities	<u>320,457</u>	<u>(9,020)</u>

The caption Net gains arising from trading and hedging activities includes, as at 30 June 2012, for the transactions with financial liabilities recognised at fair value through profit and loss account, a loss of Euros 21,599,000 (30 June 2011: gain of Euros 44,319,000) which reflects the fair value changes arising from changes in own credit risk (spread).

The caption Gains arising on trading and hedging activities – Repurchase of debt securities issued includes the amount of Euros 184,300,000 corresponding to the difference between the nominal and the repurchase value, arising from the repurchase operations included in the set of initiatives undertaken by the Bank for liability management, namely Magellan Mortgages No. 2 plc, Magellan Mortgages No. 3 plc, Floating Rate Notes and Covered Bonds, as referred in note 48.

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

As at 30 June 2011, the caption Losses arising on trading and hedging activities – Held for trading – Securities portfolio – Fixed income transactions with financial instruments recognised at fair value through profit and loss - held for trading included the amount of Euros 136,555,000 related with losses incurred in Treasury bonds from the Portuguese Republic.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The caption Gains arising on trading and hedging activities - Other financial instruments derivatives includes the amount of Euros 9,765,000 resulting from the recognition in profit and loss account of the interruption of an hedging operation regarding the mortgage debt issues from 1 April 2012.

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

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Gains arising from financial assets available for sale		
Fixed income	4,004	5,378
Variable income	107	30,296
Losses arising from financial assets available for sale		
Fixed income	(14,286)	(768)
Variable income	(411)	(1,386)
Net gains / (losses) arising from financial assets available for sale	<u>(10,586)</u>	<u>33,520</u>

The caption Losses arising from financial assets available for sale - Fixed income - includes on 30 June 2012, the amount of Euros 8,746,000 related to losses resulting from the sale of Greek public debt bonds which resulted from the restructuring of country's sovereign debt.

The caption Gains arising from financial assets available for sale – variable income included in 30 June 2011, the amount of Euros 24,480,000 related with the adjustment to the price of sale of the shares held in Eureko B.V., sold to the Pension Fund of BCP Group in 2010, as a result of the valuation performed during the first quarter of 2011, as established in the contract.

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

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Gains arising from financial assets held to maturity	15,510	-
Net gains / (losses) arising from financial assets held to maturity	<u>15,510</u>	<u>-</u>

The amount corresponds to realised gains resulting from Greek sovereign debt transactions following the restructuring of the referred debt which took place in 2012.

9. Other operating income

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
<i>Operating income</i>		
Income from services	15,249	16,036
Cheques and others	8,173	8,757
Other operating income	10,592	26,102
	<u>34,014</u>	<u>50,895</u>
<i>Operating costs</i>		
Indirect taxes	19,468	15,923
Donations and quotizations	2,393	2,502
Specific contribution for the Banking Sector	16,935	15,992
Other operating expenses	24,701	11,545
	<u>63,497</u>	<u>45,962</u>
	<u>(29,483)</u>	<u>4,933</u>

The caption Other operating income included, on 30 June 2011, the amount of Euros 18,900,000 related with the reimbursement to Banco Comercial Português, S.A. by Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. ('Ocidental Vida') of the amounts paid to set up perpetual annuities policies to cover the responsibilities with retirement pensions of former members of the Executive Board of Directors, following the agreements established between the parties.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

10. Staff costs

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Salaries and remunerations	308,173	300,693
Mandatory social security charges	13,075	53,080
Voluntary social security charges	24,449	20,679
Other staff costs	3,498	6,791
	<u>349,195</u>	<u>381,243</u>

As at 30 June 2012, the balance Mandatory social security charges includes a gain of Euros 63,951,000 resulting from the impact of the change of the calculation method of the death subsidy in accordance with the publication of the Decree-Law no. 133/2012, which introduces the changes in the calculation of the referred subsidy.

In accordance with IAS 19, it is a negative past service cost which occurs when changes in the benefits plan exist, which result in a reduction of the current value of the liabilities for rendered services. On this base, the gain should be deferred and amortised throughout the average vesting period. Considering that the acquisition conditions of the benefit are fulfilled (vested), in fact the employee or the pensioner has the right to the benefit without having to fulfill any service condition, as referred in note 50 the Group accounted the referred impact in results for the six month period ended on 30 June 2012.

As referred in note 50, the caption Mandatory social security charges also includes, the amount of Euros 1,163,000 (30 June 2011: Euros 40,996,000) related to the pension cost for the period. The referred balance also includes the amount of Euros 2,668,000 (30 June 2011: Euros 1,800,000) related to costs with early retirements during the period.

The referred caption also included, on 30 June 2011, the amount of Euros 35,492,000 related with the write-down of provisions established to cover the future updates in the retirement pension plan of former members of the Executive Board of Directors, following the agreements established, between the Bank and the former members of the Executive Board of Directors.

11. Other administrative costs

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Water, electricity and fuel	12,139	10,803
Consumables	3,579	3,509
Rents	72,531	75,390
Communications	21,728	19,216
Travel, hotel and representation costs	6,309	6,994
Advertising	17,571	19,493
Maintenance and related services	20,078	18,598
Credit cards and mortgage	7,546	7,192
Advisory services	8,975	8,470
Information technology services	12,150	11,315
Outsourcing	41,235	42,666
Other specialised services	16,597	15,351
Training costs	1,296	1,148
Insurance	7,696	9,164
Legal expenses	6,520	5,846
Transportation	5,486	5,351
Other supplies and services	22,552	23,483
	<u>283,988</u>	<u>283,989</u>

The caption Rents includes the amount of Euros 61,259,000 (30 June 2011: Euros 63,165,000) related to rents paid regarding buildings used by the Group as lessee.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

12. Depreciation

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
<i>Intangible assets:</i>		
Software	7,589	7,697
Other intangible assets	225	175
	<u>7,814</u>	<u>7,872</u>
<i>Property, plant and equipment:</i>		
Land and buildings	17,472	21,032
Equipment		
Furniture	1,910	2,287
Office equipment	1,304	1,432
Computer equipment	7,280	8,398
Interior installations	2,013	1,971
Motor vehicles	1,465	1,598
Security equipment	1,228	1,308
Other tangible assets	1,712	2,047
	<u>34,384</u>	<u>40,073</u>
	<u>42,198</u>	<u>47,945</u>

13. Loans impairment

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
<i>Loans and advances to credit institutions:</i>		
For overdue loans and credit risks		
Impairment for the period	44	376
Write-back for the period	-	(134)
	<u>44</u>	<u>242</u>
<i>Loans and advances to customers:</i>		
For overdue loans and credit risks		
Charge for the period	1,546,307	712,963
Write-back for the period	(550,058)	(141,582)
Recovery of loans and interest charged-off	(9,024)	(9,496)
	<u>987,225</u>	<u>561,885</u>
	<u>987,269</u>	<u>562,127</u>

The caption Loans and advances to customers - Charge for the period includes the amount of Euros 450,000,000 related to the impairment recorded during 2012 to cover the activity of the Millennium Bank (Greece), considering the financial crisis that affects Greece. The capitalization needs of the Greek banks determined by the Greece Central Bank and the independent evaluation done by the Troika team which estimated a significant increase of the credit risk that affects the Greek banking sector.

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

14. Other financial assets impairment

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Impairment for financial assets available for sale		
Charge for the period	11,203	3,597
Write-back for the period	(66)	(122)
	<u>11,137</u>	<u>3,475</u>
Impairment for financial assets held to maturity		
Charge for the period	119	-
	<u>119</u>	<u>-</u>
	<u>11,256</u>	<u>3,475</u>

15. Other provisions

The amount of this account is comprised of:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Provision for other pensions benefits		
Charge for the period	366	381
	<u>366</u>	<u>381</u>
Provision for guarantees and other commitments		
Charge for the period	21,976	4,787
Write-back for the period	(8,645)	(9,745)
	<u>13,331</u>	<u>(4,958)</u>
Other provisions for liabilities and charges		
Charge for the period	7,607	2,398
Write-back for the period	(378)	(35,737)
	<u>7,229</u>	<u>(33,339)</u>
	<u>20,926</u>	<u>(37,916)</u>

16. Share of profit of associates under the equity method

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

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Millenniumbcp Ageas Group	30,465	29,464
Other companies	(222)	(5,403)
	<u>30,243</u>	<u>24,061</u>

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

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

18. Income tax

The charge for the first semester of 2012 and 2011, is comprised as follows:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Current tax	(38,159)	(42,184)
Deferred tax		
Recognition and reversal of temporary differences	(105,142)	146,105
Effect of changes in tax rate	(1)	-
Tax losses carried forward	139,961	64,867
	<u>34,818</u>	<u>210,972</u>
	<u>(3,341)</u>	<u>168,788</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The caption Deferred tax - Recognition and reversal of temporary differences includes in 2011, the amount of Euros 132,000,000 resulting from the recognition of deferred tax assets associated with losses related to the investment held in Bitalpart, BV.

The recognition of deferred tax asset arises from the expectation of realization of losses for tax purposes at the time of this investment is sold or when the company is liquidated. It is expected that such sale or liquidation occurring since expired the function of holding shares that the company represents in the Group.

In accordance with IAS 12, the Group assessed the likelihood of future taxable income to absorb the deductible temporary differences for tax purposes (including tax losses carried forward).

The cost of the Income tax amounts to Euros 3,441,000 (30 June 2011: negative amount of 168,788,000).

The caption Deferred tax - recognition and reversal of temporary differences includes the amount related to provisions that were subject to tax in the current year and the costs with early retirements, which recognition for tax purposes will occur in subsequent years.

The main adjustments performed to the accounting profit for the calculation of the net taxable profit arising from timing differences are as follows:

- Reduction of the loan impairment which, under the applicable legislation, in the amount of Euros 233,147,000 (30 June 2011: Euros 136,878,000);
- The difference between the pension costs recognised in previous years, of which it is acceptable for tax purposes in the year, and the charges for the year, which will be allowable for tax purposes in the future years, in the net amount of Euros 211,806,000 (30 June 2011: Euros 64,088,000) deductible to the taxable income.
- Allocation of non-resident companies profits added for the purpose of calculation of taxable income and whose distribution will occur in future years, amounts to Euros 27,924,000 (30 June 2011: Euros 17,952,000);

The main adjustments made to the accounting profit for the calculation of the net taxable profit arising from permanent differences are as follows:

- Net income of non-residents companies, in the amount of Euros 14,903,000 (30 June 2011: Euros 81,957,000);
- Net income of associated companies consolidated by the equity method, in the amount of Euros 28,568,000 (30 June 2011: Euros 23,994,000);
- Provisions not deductible for tax purposes, in the amount of Euros 474,351,000 (30 June 2011: Euros 6,707,000);

The difference between the nominal tax rate for profit that the companies are subject and the effective tax rate, results from the adjustments considered for effects of the determination of the taxable profit, under the applicable legislation, and the effect of deferred taxes recognised.

The reconciliation of the effective tax rate is analysed as follows:

	Jun 2012		Jun 2011	
	%	Euros '000	%	Euros '000
Net income before income taxes		(501,448)		(14,285)
Current tax rate	29.0%	145,420	29.0%	4,143
Foreign tax rate effect				
and in "Zona Franca da Madeira" (i)	-7.6%	(38,198)	78.1%	11,159
Accruals for the calculation of taxable income (ii)	-23.1%	(116,074)	-100.4%	(14,343)
Deductions for the calculation of taxable income (iii)	6.3%	31,806	338.7%	48,379
Fiscal incentives not recognised in profit / loss accounts (iv)	1.0%	5,245	32.1%	4,591
Effect of the tax losses used / recognised	-0.8%	(4,202)	-12.6%	(1,806)
Effect of deferred tax losses not recognised previously	0.8%	4,043	891.7%	127,381
Tax rate effect	-4.6%	(22,948)	-72.8%	(10,393)
Previous periods corrections	-1.5%	(7,426)	4.8%	686
(Autonomous tax) / tax credits	-0.2%	(1,007)	-7.1%	(1,009)
	-0.7%	(3,341)	1181.5%	168,788

References:

- (i) - Includes the impact of the difference of the actual tax rate in Greece associated to the impairment of Millennium Bank's assets, in the negative amount of Euros 40,500,000;
- (ii) - Corresponds, essentially, to tax associated with provisions and impairment of goodwill, not allowed for tax purposes;
- (iii) - Tax associated with the following deductions allowed in the determination of the taxable income:
 - a) Net income of non-residents companies, in the amount of Euros 14,903,000 (Tax: Euros 4,322,000)
 - b) Net income of associated companies consolidated under the equity method, in the net amount of Euros 28,568,000 (Tax: Euros 8,285,000);
 - c) Fair value adjustments, in the amount of Euros 48,495,000 (Tax: Euros 14,063,000);
- (iv) - Includes mainly, the interest income of Angola's Sovereign debt in the amount of Euros 10,824,000 (Tax: Euros 3,789,000) and tax benefits resulting from granting employment to people under the age of 30, in the amount of Euros 1,455,000 (Tax: Euros 422,000);
- (v) - Corresponds, essentially, to the adjustment to deferred tax related with the taxable income allocated in previous years, which are not deductible for tax purposes.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

19. Earnings per share

The earnings per share are calculated as follows:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Net income for the period attributable to shareholders of the Bank	(544,279)	114,262
Dividends from other capital instruments	-	(27,923)
Adjusted net income	(544,279)	86,339
Average number of shares	7,204,636,669	5,502,713,603
Basic earnings per share (Euros)	(0.15)	0.03
Diluted earnings per share (Euros)	(0.15)	0.03

In June 2012, the Bank registered a decrease of the share capital from Euros 6,064,999,986 to Euros 3,000,000,000 without altering the number of existing shares without nominal value, being this decrease composed of two separate amounts: a) Euros 1,547,873,439.69, to cover losses recorded in the Bank's individual financial statements for 2011; b) Euros 1,517,126,546.31, to reinforce future conditions for having funds that may be qualified, under the regulatory provisions, as distributable. Therefore, the Bank's share capital, on 30 June 2012, amounts to Euros 3,000,000,000, represented by 7,207,167,060 nominate and ordinary shares without nominal value.

In June 2011, a capital increase of the Banco Comercial Português, S.A. was performed, from Euros 4,694,600,000 to Euros 6,064,999,986 resulting from the following steps:

- (i) Euros 120,400,000, by incorporation of share premium reserves, through the issuance of 206,518,010 new ordinary and nominative shares without nominal value;
- (ii) Euros 990,147,000, by contribution in kind of 990,147 perpetual subordinated instruments with conditioned interest, by issuing 1,584,235,200 new ordinary and nominative shares without nominal value, that resulted in the conversion of the majority of the perpetual subordinated securities;
- (iii) Euros 259,852,986, by the issue of 721,813,850 ordinary shares without nominal value, with the issue and subscribe value of Euros 0.36, with preference reserve to the shareholders, in the exercise of the preference legal rights.

In accordance with the Decree-Law no. 49/2010 of 19 May, that allows share capital of a company to be represented by shares without nominal value, the General Shareholders meeting of Banco Comercial Português, S.A. approved that the share capital of Banco Comercial Português, S.A. would be represented by shares with no nominal value.

The average number of shares indicated above, results from the number of existing shares at the beginning of each year, adjusted by the number of shares repurchased or issued in the period weighted by a time factor. During the year of 2009, Banco Comercial Português, S.A. issued three series of its program of perpetual subordinated debt securities in the total amount of Euros 1,000,000,000, which were considered as capital instruments as established in the accounting policy note 1 h), in accordance with the IAS 32.

The balance Dividends from other capital instruments includes, on 30 June 2011, the dividends distributed from the following issues:

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

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

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

Within the scope of the exchange offer, the majority of the preference shares were exchanged for new debt instruments in October 2011.

b) Three issues of perpetual subordinated debt securities analysed as follows:

- In June 2009, as referred in note 42, the Bank issued Euros 300,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

- In August 2009, as referred in note 42, the Bank issued Euros 600,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

- In December 2009, as referred in note 42, the Bank issued Euros 100,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

These issues were exchanged within the scope of the public change offering of perpetual subordinated securities for ordinary shares, performed in 2011. The amount not exchanged amounts to Euros 9,853,000 on 30 June, 2012.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

20. Cash and deposits at central banks

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Cash	600,791	691,144
Central banks	1,116,681	1,424,801
	<u>1,717,472</u>	<u>2,115,945</u>

The balance Central banks includes deposits with central banks of the countries where the group operates in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other liabilities. The cash reserve requirements, according with the European Central Bank System for Euro Zone, establishes the maintenance of a deposit with the Central Bank equivalent to 2% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

21. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Credit institutions in Portugal	3,197	2,970
Credit institutions abroad	846,286	1,251,177
Amounts due for collection	139,539	323,263
	<u>989,022</u>	<u>1,577,410</u>

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

22. Other loans and advances to credit institutions

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Bank of Portugal	2,900,040	600,008
Credit institutions in Portugal	353,997	846,856
Credit institutions abroad	2,190,304	1,466,731
	5,444,341	2,913,595
Overdue loans - more than 90 days	1,881	1,836
	5,446,222	2,915,431
Impairment for other loans and advances to credit institutions	(2,342)	(2,416)
	<u>5,443,880</u>	<u>2,913,015</u>

Concerning derivative financial transactions with institutional counterparties, and according to the signed agreements, the Group has the amount of Euros 1,022,020,000 (31 December 2011: Euros 759,815,000) of Loans and advances to credit institutions granted as collateral on the mentioned transactions.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The movements of impairment for other loans and advances to credit institutions is analysed as follows:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Balance on 1 January	2,416	13,759
Transfers	(118)	778
Impairment for the period	44	376
Write-back for the period	-	(134)
Balance on 30 June	<u>2,342</u>	<u>14,779</u>

23. Loans and advances to customers

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Public sector	693,560	712,224
Asset-backed loans	42,596,210	43,337,792
Personal guaranteed loans	10,054,890	10,944,941
Unsecured loans	3,672,988	3,658,828
Foreign loans	3,656,668	3,835,789
Factoring	1,066,075	1,286,608
Finance leases	<u>4,028,704</u>	<u>4,280,612</u>
	65,769,095	68,056,794
Overdue loans - less than 90 days	251,725	280,211
Overdue loans - more than 90 days	<u>4,296,505</u>	<u>3,196,072</u>
	70,317,325	71,533,077
Impairment for credit risk	<u>(4,114,859)</u>	<u>(3,487,542)</u>
	<u>66,202,466</u>	<u>68,045,535</u>

As at 30 June 2012, the balance Loans and advances to customers includes the amount of Euros 10,452,650,000 (31 December 2011: Euros 10,508,017,000) regarding mortgage loans which are a collateral for seven asset-back securities, issued by the Group.

During 2011, Banco Investimento Imobiliário, S.A. issued one covered bond in the amount of Euros 1,000,000,000 with maturity of 3 years. The referred issue occurred in 19 January 2011 with an interest rate of 1M Euribor +0.75%.

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
<i>Loans not represented by securities</i>		
Discounted bills	407,475	533,231
Current account credits	3,952,262	4,502,604
Overdrafts	1,919,027	1,867,652
Loans	19,345,704	19,994,269
Mortgage loans	31,373,659	32,036,068
Factoring	1,066,075	1,286,609
Finance leases	4,028,704	4,280,611
	<u>62,092,906</u>	<u>64,501,044</u>
<i>Loans represented by securities</i>		
Commercial paper	2,114,286	1,741,120
Bonds	1,561,903	1,814,630
	<u>3,676,189</u>	<u>3,555,750</u>
	65,769,095	68,056,794
Overdue loans - less than 90 days	251,725	280,211
Overdue loans - more than 90 days	4,296,505	3,196,072
	70,317,325	71,533,077
Impairment for credit risk	<u>(4,114,859)</u>	<u>(3,487,542)</u>
	<u><u>66,202,466</u></u>	<u><u>68,045,535</u></u>

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Agriculture	573,327	644,293
Mining	224,135	434,327
Food, beverage and tobacco	621,955	521,473
Textiles	546,511	491,557
Wood and cork	236,289	229,143
Printing and publishing	386,726	294,543
Chemicals	790,175	833,055
Engineering	993,473	1,177,560
Electricity, water and gas	1,064,771	951,045
Construction	4,660,811	4,991,080
Retail business	1,484,707	1,669,000
Wholesale business	2,332,486	2,584,655
Restaurants and hotels	1,626,459	1,411,024
Transports and communications	2,138,408	1,846,405
Services	14,643,513	14,802,022
Consumer credit	4,443,290	4,496,917
Mortgage credit	30,030,633	30,308,497
Other domestic activities	1,325,765	886,812
Other international activities	2,193,891	2,959,669
	70,317,325	71,533,077
Impairment for credit risk	<u>(4,114,859)</u>	<u>(3,487,542)</u>
	<u><u>66,202,466</u></u>	<u><u>68,045,535</u></u>

Loans and advances to customers includes the effect of traditional securitization transactions owned by Special Purpose Entities (SPEs) consolidated following the application of SIC 12, in accordance with accounting policy 1 b).

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

	Traditional	
	Jun 2012	Dec 2011
	Euros '000	Euros '000
Mortgage loans	2,992,119	6,392,175
Consumer loans	319,681	417,771
Leases	849,074	992,600
Corporate loans	4,228,688	4,620,819
	<u>8,389,562</u>	<u>12,423,365</u>

Kion Mortgage Finance No. 1

On 7 December 2006, the Group transferred a pool of mortgage loans owned by Millennium Bank, S.A. (Greece) to the SPE “Kion Mortgage Finance No. 1 PLC”. Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 163,597,000, the transaction does not qualify for derecognition from the Group’s Financial Statements as established in the accounting policy 1 g). The related liabilities, with a nominal amount of Euros 143,640,000, of which Euros 127,435,000 are placed on the market.

Kion Mortgage Finance No. 3

On May 2012, the Group transferred a pool of mortgage loans owned by Millennium Bank, S.A. (Greece) to the SPE “Kion Mortgage Finance No. 3 PLC”. Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 1,333,143,000, the transaction does not qualify for derecognition from the Group’s Financial Statements as established in the accounting policy 1 g). The related liabilities, with a nominal amount of Euros 1,342,716,000.

Kion CLO Finance No. 1

On May 2012, the Group transferred a pool of corporate loans owned by Millennium Bank, S.A. (Greece) to the SPE “Kion CLO Finance No. 1 PLC”. Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 625,059,000, the transaction does not qualify for derecognition from the Group’s Financial Statements as established in the accounting policy 1 g). The related liabilities, with a nominal amount of Euros 628,086,000.

Magellan Mortgages No. 3

On 24 June 2005, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. to the SPE “Magellan Mortgages No. 3 PLC”. Considering that, by having acquired the total subordinated tranches during 2010, the Group holds the majority of the risks and benefits associated to the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 b). The total assets and liabilities of the SPE associated with this operation, as at 30 June 2012, amounts to Euros 608,043,000 and to Euros 591,512,000, respectively.

Magellan Mortgages No. 2

On 20 October 2003, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. and by Banco de Investimento Imobiliário, S.A. to the SPE “Magellan Mortgages No. 2 PLC”. Considering that, by having acquired the total subordinated tranches during 2010, the Group holds the majority of the risks and benefits associated to the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 b). The total assets and liabilities of the SPE associated with this operation, as at 30 June 2012, amounts to Euros 262,277,000 and to Euros 270,980,000, respectively.

Nova Finance No. 4

On 21 December 2007, the Group transferred a pool of consumer loans owned by Banco Comercial Português, S.A. to the SPE “Nova Finance No. 4 Limited”. Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 319,681,000, as at 30 June 2012, the transaction does not qualify for derecognition from the Group’s Financial Statements as established in the accounting policy 1 g). The related liabilities, with a nominal amount of Euros 329,106,000, are majorly held by the Group, and the amount of Euros 95,330,000 is placed on the market.

Tagus Leasing No.1

On 26 February 2010, the Group transferred a pool of leasing loans owned by Banco Comercial Português, S.A. to the SPE “Tagus Leasing No. 1 Limited”. Considering that given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, these, as established in the accounting policy defined in note 1 g), maintain the recognition in the Financial Statements of the Group, in the amount of Euros 788,567,000, as at 30 June 2012. The related liabilities, with a nominal amount of Euros 830,395,000, are fully owned by the Group and consequently are eliminated when preparing the Consolidated Financial Statements.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Orchis

On 20 December 2007, the Group transferred a pool of leases owned by Millennium Leasing Sp. z o.o. (Poland) to the SPE “Orchis Sp. z o.o.”. Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 60,507,000, as at 31 December 2011, the transaction does not qualify for derecognition from the Group’s Financial Statements as established in the accounting policy 1 b). The related liabilities, with a nominal amount of Euros 60,433,000, of which Euros 56,732,000 are placed on the market.

Caravela SME No. 1

On 28 November 2008, the Group transferred a pool of corporate loans and commercial paper owned by Banco Comercial Português, S.A. to the SPE “Caravela SME No. 1 Limited”. Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 1,520,898,000, as at 30 June 2012, the transaction does not qualify for derecognition from the Group’s Financial Statements as established in the accounting policy 1 g). The related liabilities, with a nominal amount of Euros 1,613,192,000, are fully owned by the Group and consequently are eliminated when preparing the Consolidated Financial Statements.

Caravela SME No. 2

On 16 December 2010, the Group transferred a pool of corporate loans owned by Banco Comercial Português, S.A. to the SPE “Caravela SME No. 2 Limited”. Considering that given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, these, as established in the accounting policy defined in note 1 g), maintain the recognition in the Financial Statements of the Group, in the amount of Euros 2,707,790,000, as at 30 June 2012. The related liabilities, with a nominal amount of Euros 2,743,316,000, are fully owned by the Group and consequently are eliminated when preparing the Consolidated Financial Statements.

The Group’s credit portfolio, which includes loans to customers, also includes the guarantees granted and commitments to third parties, split between impaired credit and credit not impaired is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Total of loans	77,491,548	79,406,991
Loans and advances to customers with impairment		
Individually significant		
Gross amount	8,611,428	9,590,715
Impairment	(2,791,639)	(2,595,595)
Net book amount	5,819,789	6,995,120
Parametric analysis		
Gross amount	5,412,712	4,134,528
Impairment	(1,190,891)	(755,066)
Net book amount	4,221,821	3,379,462
Loans and advances to customers without impairment	63,467,408	65,681,748
Impairment (IBNR)	(251,176)	(237,589)
	<u>73,257,842</u>	<u>75,818,741</u>

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

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

Considering the current real estate and financial markets conditions, the Group continued to negotiate, during the first semester of 2012, additional physical and financial collaterals with its customers.

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Gross amount	4,742,530	5,300,269
Interest not yet due	(713,826)	(1,019,658)
Net book value	<u>4,028,704</u>	<u>4,280,611</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Individuals		
Home	119,285	100,402
Consumer	75,491	71,793
Others	203,869	220,082
	<u>398,645</u>	<u>392,277</u>
Companies		
Mobiliary	1,482,050	1,589,351
Mortgage	2,148,009	2,298,983
	<u>3,630,059</u>	<u>3,888,334</u>
	<u><u>4,028,704</u></u>	<u><u>4,280,611</u></u>

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

In accordance with note 11, the balance Rents, includes as at 30 June 2012 the amount of Euros 61,259,000 (31 December 2011: Euros 124,886,000), corresponding to rents paid regarding buildings used by the Group as lessee.

The loans portfolio includes restructured loans that have been formally negotiated with the clients, in order to reinforce collaterals, defer the maturity date or change the interest rate. The analysis of restructured loans by sector of activity is as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Agriculture	8,651	7,221
Mining	393	798
Food, beverage and tobacco	4,771	5,590
Textiles	2,537	3,155
Wood and cork	14,627	12,297
Printing and publishing	1,099	1,673
Chemicals	332	733
Engineering	21,120	31,988
Electricity, water and gas	2,133	3,168
Construction	29,150	45,256
Retail business	21,065	18,076
Wholesale business	59,571	55,622
Restaurants and hotels	4,912	3,441
Transports and communications	14,522	10,138
Services	208,452	222,727
Consumer credit	210,447	256,712
Mortgage credit	303,297	254,593
Other domestic activities	136	197
Other international activities	3,868	3,300
	<u>911,083</u>	<u>936,685</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Agriculture	40,670	60,622
Mining	16,520	8,749
Food, beverage and tobacco	81,627	76,328
Textiles	61,830	51,128
Wood and cork	41,465	28,520
Printing and publishing	21,659	20,883
Chemicals	21,345	19,356
Engineering	114,050	100,655
Electricity, water and gas	2,413	2,874
Construction	1,421,218	708,428
Retail business	151,400	120,470
Wholesale business	292,722	292,686
Restaurants and hotels	243,527	149,387
Transports and communications	65,935	58,294
Services	892,371	795,634
Consumer credit	763,393	666,543
Mortgage credit	272,425	239,137
Other domestic activities	29,454	21,789
Other international activities	14,206	54,800
	4,548,230	3,476,283

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Public sector	3	5
Asset-backed loans	2,506,679	1,761,851
Personal guaranteed loans	751,724	612,870
Unsecured loans	1,208,064	1,025,105
Factoring	658	76
Finance leases	81,102	76,376
	4,548,230	3,476,283

The movements of impairment for credit risk are analysed as follows:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
<i>Impairment for overdue loans and for other credit risks:</i>		
Balance on 1 January	3,487,542	2,505,886
Transfers	(5,024)	(17,010)
Impairment for the period	1,546,307	712,963
Write-back for the period	(550,058)	(141,582)
Loans charged-off	(376,626)	(120,266)
Exchange rate differences	12,718	(3,571)
Balance on 30 June	4,114,859	2,936,420

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Agriculture	78,456	65,288
Mining	12,740	6,726
Food, beverage and tobacco	79,931	55,707
Textiles	37,076	40,731
Wood and cork	32,447	23,097
Printing and publishing	36,815	34,717
Chemicals	34,303	13,994
Engineering	98,418	108,624
Electricity, water and gas	33,983	3,817
Construction	700,571	388,794
Retail business	112,311	90,795
Wholesale business	240,052	248,366
Restaurants and hotels	123,896	86,397
Transports and communications	205,651	66,641
Services	1,160,826	964,474
Consumer credit	586,585	549,750
Mortgage credit	306,546	257,238
Other domestic activities	11,360	10,531
Other international activities	222,892	471,855
	4,114,859	3,487,542

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Public sector	358	2,055
Asset-backed loans	1,952,026	1,848,265
Personal guaranteed loans	461,755	460,824
Unsecured loans	1,599,546	1,130,439
Foreign loans	61,376	2,323
Factoring	2,484	2,484
Finance leases	37,314	41,152
	4,114,859	3,487,542

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Agriculture	1,334	1,099
Mining	2,562	-
Food, beverage and tobacco	1,286	751
Textiles	1,565	10,156
Wood and cork	1,328	2,884
Printing and publishing	518	226
Chemicals	124	136
Engineering	2,004	4,657
Electricity, water and gas	-	19
Construction	16,527	2,798
Retail business	5,577	488
Wholesale business	52,114	5,006
Restaurants and hotels	1,485	3,952
Transports and communications	1,451	405
Services	72,513	57,307
Consumer credit	63,803	20,683
Mortgage credit	1,143	170
Other domestic activities	1,125	105
Other international activities	150,167	9,424
	<u>376,626</u>	<u>120,266</u>

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

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

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Asset-backed loans	34,862	10,495
Personal guaranteed loans	167,441	6,339
Unsecured loans	171,769	46,766
Foreign loans	-	52,279
Factoring	-	968
Finance leases	2,554	3,419
	<u>376,626</u>	<u>120,266</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The analysis of recovered loans and interest, during the first semester of 2012 and 2011, by sector of activity, is as follows:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Agriculture	158	21
Mining	162	1
Food, beverage and tobacco	15	679
Textiles	438	626
Wood and cork	249	3
Printing and publishing	83	100
Chemicals	46	56
Engineering	183	109
Electricity, water and gas	8	-
Construction	463	956
Retail business	394	234
Wholesale business	3,771	2,320
Restaurants and hotels	25	5
Transports and communications	115	20
Services	1,087	2,695
Consumer credit	1,726	1,662
Mortgage credit	18	2
Other domestic activities	80	3
Other international activities	3	4
	<u>9,024</u>	<u>9,496</u>

The analysis of recovered loans and interest during the first semester of 2012 and 2011, by type of credit, is as follows:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Asset-backed loans	219	54
Personal guaranteed loans	1,147	2,150
Unsecured loans	7,658	7,292
	<u>9,024</u>	<u>9,496</u>

24. Financial assets held for trading and available for sale

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Bonds and other fixed income securities		
Issued by public entities	4,809,954	4,283,378
Issued by other entities	2,489,805	1,034,084
	<u>7,299,759</u>	<u>5,317,462</u>
Overdue securities	4,940	4,927
Impairment for overdue securities	(4,925)	(4,925)
	<u>7,299,774</u>	<u>5,317,464</u>
Shares and other variable income securities	<u>309,748</u>	<u>282,318</u>
	7,609,522	5,599,782
Trading derivatives	<u>1,619,670</u>	<u>1,319,662</u>
	<u>9,229,192</u>	<u>6,919,444</u>

The balance Trading derivatives includes, the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy 1 d) in the amount of Euros 36,958,000 (31 December 2011: Euros 118,601,000).

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The analysis of the financial assets held for trading and available for sale by the type of asset is as follows:

	Jun 2012			Dec 2011		
	Securities		Total Euros '000	Securities		Total Euros '000
	Trading Euros '000	Available for sale Euros '000		Trading Euros '000	Available for sale Euros '000	
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	127,154	1,010,711	1,137,865	77,476	939,681	1,017,157
Foreign issuers	92,134	570,933	663,067	104,568	549,376	653,944
Bonds issued by other entities						
Portuguese issuers	12,805	376,098	388,903	37,865	347,215	385,080
Foreign issuers	79,355	574,660	654,015	76,164	577,767	653,931
Treasury bills and other						
Government bonds	63,511	2,945,511	3,009,022	499,738	2,112,539	2,612,277
Commercial paper	-	1,451,827	1,451,827	-	-	-
	<u>374,959</u>	<u>6,929,740</u>	<u>7,304,699</u>	<u>795,811</u>	<u>4,526,578</u>	<u>5,322,389</u>
Variable income:						
Shares in Portuguese companies	3,330	73,144	76,474	4,741	66,972	71,713
Shares in foreign companies	8,996	28,479	37,475	24,846	41,348	66,194
Investment fund units	510	194,783	195,293	270	144,141	144,411
Other securities	506	-	506	-	-	-
	<u>13,342</u>	<u>296,406</u>	<u>309,748</u>	<u>29,857</u>	<u>252,461</u>	<u>282,318</u>
Impairment for overdue securities	-	(4,925)	(4,925)	-	(4,925)	(4,925)
	388,301	7,221,221	7,609,522	825,668	4,774,114	5,599,782
Trading derivatives	1,619,670	-	1,619,670	1,319,662	-	1,319,662
	<u>2,007,971</u>	<u>7,221,221</u>	<u>9,229,192</u>	<u>2,145,330</u>	<u>4,774,114</u>	<u>6,919,444</u>
of which:						
Level 1	452,294	3,543,835	3,996,129	816,799	3,161,630	3,978,429
Level 2	1,555,184	3,570,872	5,126,056	1,327,645	1,536,114	2,863,759
Level 3	-	35,781	35,781	598	34,290	34,888
Financial assets at cost	493	70,733	71,226	288	42,080	42,368

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

As referred in IFRS 7, financial assets held for trading and available for sale are valued in accordance with the following fair value measurement levels:

- Level 1: financial instruments measured in accordance with quoted market prices or providers.
- Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs.
- Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

As referred in the accounting policy presented in note 1 d), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves, as referred in note 44. As at 30 June 2012, the negative amount of fair value reserves of Euros 207,376,000 (31 December 2011: Euros negative amount of Euros 471,254,000) is presented net of impairment losses in the amount of Euros 73,111,000 (31 December 2011: Euros 62,272,000).

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As referred in the accounting policy note 1 f) the reclassifications were performed under the scope of IAS 39 – Financial Instruments: Recognition and Measurement (Reclassification of Financial Assets) revised in October 2008, based on the following considerations:

- Market conditions in the first semester of 2010, for sovereign and financial institutions of peripheral Euro zone countries, that resulted in a strong increase in the volatility, credit spreads and difficulties of issuers to place their financial liabilities in the market;
- Underlying value of the portfolio (quality of the issuers expressed in investment grade ratings) and capacity of the Group to hold the assets in a stable portfolio with no short term profit objective, and intention and capacity to hold in the long term.

The impact of the reclassifications performed in previous years until 30 June 2012, are analysed as follows:

	At the reclassification date		June 2012		Difference Euros '000
	Book value	Fair value	Book value	Fair value	
	Euros '000	Euros '000	Euros '000	Euros '000	
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	9,166	9,166	-
Financial assets held to maturity	2,154,973	2,154,973	1,250,361	1,044,136	(206,225)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	259,641	221,492	(38,149)
Financial assets held to maturity	627,492	627,492	563,249	535,280	(27,969)
			<u>2,082,417</u>	<u>1,810,074</u>	<u>(272,343)</u>

The amounts accounted in the income statement (P&L) and in fair value reserves, in 30 June 2012 related to reclassified financial assets are analysed as

	P&L			Changes	
	Interest	Impairment	Total	Fair value reserves	Equity
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	407	-	407	-	407
Financial assets held to maturity	25,348	-	25,348	-	25,348
From Financial assets available for sale to:					
Loans represented by securities	4,199	-	4,199	129	4,328
Financial assets held to maturity	7,749	-	7,749	(182)	7,567
	<u>37,703</u>	<u>-</u>	<u>37,703</u>	<u>(53)</u>	<u>37,650</u>

As at 30 June 2012, if the reclassifications described previously had not occurred, the additional amounts recognised in equity, would be as follows:

	P&L			Retained earnings Euros '000	Fair value reserves Euros '000	Equity Euros '000
	Interest	Fair value changes	Total			
	Euros '000	Euros '000	Euros '000			
Impact in equity without reclassifications:						
Until 31 December 2011						
From Financial assets held for trading to:						
Financial assets available for sale	-	2,609	2,609	-	(2,609)	-
Financial assets held to maturity	-	66,179	66,179	(272,404)	-	(206,225)
From Financial assets available for sale to:						
Loans represented by securities	129	-	129	765	(39,043)	(38,149)
Financial assets held to maturity	(182)	-	(182)	(528)	(27,259)	(27,969)
	<u>(53)</u>	<u>68,788</u>	<u>68,735</u>	<u>(272,167)</u>	<u>(68,911)</u>	<u>(272,343)</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The impact of the reclassifications performed until 31 December 2011, are analysed as follows:

	At the reclassification date		December 2011		
	Book value	Fair value	Book value	Fair value	Difference
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	6,545	6,545	-
Financial assets held to maturity	2,154,973	2,154,973	1,418,293	1,145,889	(272,404)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	259,680	232,942	(26,738)
Financial assets held to maturity	627,492	627,492	578,799	523,431	(55,368)
			2,263,317	1,908,807	(354,510)

The amounts accounted in the income statement (P&L) and in fair value reserves, in December 2011 related to reclassified financial assets are analysed as follows:

	P&L			Changes	
	Interest	Impairment	Total	Fair value reserves	Equity
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	822	-	822	-	822
Financial assets held to maturity	65,795	(361,574)	(295,779)	-	(295,779)
From Financial assets available for sale to:					
Loans represented by securities	8,750	-	8,750	247	8,997
Financial assets held to maturity	18,707	-	18,707	(360)	18,347
	94,074	(361,574)	(267,500)	(113)	(267,613)

As at 31 December 2011, if the reclassifications described previously had not occurred, the additional amounts recognised in equity, would be as follows:

	P&L			Retained earnings	Fair value reserves	Equity
	Interest	Fair value changes	Total			
	Euros '000	Euros '000	Euros '000			
Impact in equity without reclassifications:						
Until 31 December 2010						
From Financial assets held for trading to:						
Financial assets available for sale	-	(6,932)	(6,932)	-	6,932	-
Financial assets held to maturity	-	1,784	1,784	(274,188)	-	(272,404)
From Financial assets available for sale to:						
Loans represented by securities	247	-	247	518	(27,503)	(26,738)
Financial assets held to maturity	(360)	-	(360)	(168)	(54,840)	(55,368)
	(113)	(5,148)	(5,261)	(273,838)	(75,411)	(354,510)

The movements of the impairment of the financial assets available for sale are analysed as follows:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Balance on 1 January	62,272	52,410
Impairment for the period	11,203	3,597
Impairment against fair value reserves	1,503	-
Write-back for the period	(66)	(122)
Write-back against fair value reserves	(1,219)	(1,211)
Loans charged-off	(766)	(1,503)
Exchange rate differences	184	107
Balance on 30 June	73,111	53,278

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

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

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

The analysis of the securities portfolio included in the financial assets held for trading and available for sale, by sector of activity, as at 30 June 2012 is analysed as follows:

	Bonds	Shares	Other Financial Assets	Overdue Securities	Gross Total
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Food, beverage and tobacco	-	2	-	15	17
Textiles	-	1	-	-	1
Wood and cork	-	501	-	361	862
Printing and publishing	40	113	-	998	1,151
Chemicals	-	933	-	-	933
Engineering	-	478	-	-	478
Electricity, water and gas	150,580	537	-	-	151,117
Construction	-	1,804	-	2,560	4,364
Wholesale business	-	701	-	475	1,176
Restaurants and hotels	-	74	-	-	74
Transport and communications	36,626	7,233	-	529	44,388
Services	2,280,251	101,491	189,772	-	2,571,514
Other domestic activities	22,308	16	6,027	2	28,353
Other international activities	-	65	-	-	65
	2,489,805	113,949	195,799	4,940	2,804,493
Government and Public securities	1,800,932	-	3,009,022	-	4,809,954
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	4,290,737	113,949	3,204,821	15	7,609,522

The analysis of the securities portfolio included in the financial assets held for trading and available for sale, by sector of activity, as at 31 December 2011 is analysed as follows:

	Bonds	Shares	Other Financial Assets	Overdue Securities	Gross Total
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Food, beverage and tobacco	-	3	-	2	5
Textiles	-	1	-	-	1
Wood and cork	-	501	-	361	862
Printing and publishing	86	15,281	-	998	16,365
Chemicals	-	7,625	-	-	7,625
Engineering	-	185	-	-	185
Electricity, water and gas	154,713	1,118	-	-	155,831
Construction	9,472	1,960	-	2,560	13,992
Retail business	-	437	-	-	437
Wholesale business	-	1,205	-	475	1,680
Restaurants and hotels	-	51	-	-	51
Transport and communications	23,350	774	-	529	24,653
Services	821,002	108,710	144,411	2	1,074,125
Other international activities	25,461	56	-	-	25,517
	1,034,084	137,907	144,411	4,927	1,321,329
Government and Public securities	1,671,101	-	2,612,277	-	4,283,378
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	2,705,185	137,907	2,756,688	2	5,599,782

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The analysis of the trading derivatives by maturity as at 30 June 2012 is as follows:

	Jun 2012					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	More than 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate Derivatives:						
OTC Market:						
Forward rate agreement	542,129	353,841	-	895,970	325	69
Interest rate Swaps	2,356,833	7,345,496	27,320,683	37,023,012	1,213,612	965,678
Interest rate Options (purchase)	9,349	237,119	765,649	1,012,117	11,557	-
Interest rate Options (sale)	16,904	238,119	394,612	649,635	-	12,483
Other interest rate contracts	254,099	335,272	330,161	919,532	43,041	43,103
	<u>3,179,314</u>	<u>8,509,847</u>	<u>28,811,105</u>	<u>40,500,266</u>	<u>1,268,535</u>	<u>1,021,333</u>
Stock Exchange transactions:						
Interest rate futures	5,002	-	-	5,002	-	-
Currency Derivatives:						
OTC Market:						
Forward exchange contract	946,396	42,431	16,787	1,005,614	10,674	10,101
Currency Swaps	3,208,345	87,102	-	3,295,447	26,696	21,216
Currency Options (purchase)	13,230	4,214	-	17,444	224	-
Currency Options (sale)	12,830	4,214	-	17,044	-	40,368
	<u>4,180,801</u>	<u>137,961</u>	<u>16,787</u>	<u>4,335,549</u>	<u>37,594</u>	<u>71,685</u>
Share/debt instruments Derivatives:						
OTC Market:						
Shares/indexes Swaps	14,502	148,708	55,429	218,639	9,238	4,957
Shares/indexes Options (purchase)	6,129	-	6,502	12,631	-	-
Shares/indexes Options (sale)	2,006	-	4,435	6,441	-	-
Debt instruments forwards	-	-	30,000	30,000	-	249
Shares/indexes futures	6,979	-	-	6,979	-	-
	<u>29,616</u>	<u>148,708</u>	<u>96,366</u>	<u>274,690</u>	<u>9,238</u>	<u>5,206</u>
Stock Exchange transactions:						
Shares futures	61,877	-	-	61,877	-	-
Shares/indexes Options (purchase)	51,064	171,372	164,325	386,761	65,733	-
Shares/indexes Options (sale)	3,642	11,015	6,268	20,925	-	63,225
	<u>116,583</u>	<u>182,387</u>	<u>170,593</u>	<u>469,563</u>	<u>65,733</u>	<u>63,225</u>
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	27,867	-	-	27,867	-	-
Credit derivatives:						
OTC Market:						
Credit Default Swaps	-	-	3,811,027	3,811,027	201,612	209,112
Other credit derivatives (sale)	-	-	32,175	32,175	-	-
	<u>-</u>	<u>-</u>	<u>3,843,202</u>	<u>3,843,202</u>	<u>201,612</u>	<u>209,112</u>
Total financial instruments traded in:						
OTC Market	7,389,731	8,796,516	32,767,460	48,953,707	1,516,979	1,307,336
Stock Exchange	149,452	182,387	170,593	502,432	65,733	63,225
Embedded derivatives					36,958	30,458
	<u>7,539,183</u>	<u>8,978,903</u>	<u>32,938,053</u>	<u>49,456,139</u>	<u>1,619,670</u>	<u>1,401,019</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The analysis of the trading derivatives by maturity as at 31 December 2011 is as follows:

	Dec 2011					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	More than 1 year	Total	Assets	Liabilities
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Interest rate Derivatives:						
OTC Market:						
Forward rate agreements	359,705	159,421	-	519,126	195	27
Interest rate Swaps	6,150,804	4,041,766	27,537,196	37,729,766	908,922	910,224
Interest rate Options (purchase)	1,202	336,972	798,641	1,136,815	14,053	-
Interest rate Options (sale)	1,202	336,972	423,187	761,361	-	14,430
Other interest rate contracts	23,800	506,956	531,962	1,062,718	29,979	30,098
	<u>6,536,713</u>	<u>5,382,087</u>	<u>29,290,986</u>	<u>41,209,786</u>	<u>953,149</u>	<u>954,779</u>
Stock Exchange transactions:						
Interest rate Futures	5,002	-	-	5,002	-	-
Currency Derivatives:						
OTC Market:						
Forward exchange contract	379,275	57,549	7,107	443,931	12,856	13,250
Currency Swaps	4,627,861	82,634	-	4,710,495	45,125	58,009
Currency Options (purchase)	25,992	2,454	-	28,446	577	-
Currency Options (sale)	11,394	2,454	-	13,848	-	2,678
	<u>5,044,522</u>	<u>145,091</u>	<u>7,107</u>	<u>5,196,720</u>	<u>58,558</u>	<u>73,937</u>
Share Derivatives:						
OTC Market:						
Shares/indexes Swaps	154,133	55,703	88,862	298,698	5,131	4,731
Shares/indexes Options (purchase)	136,583	147,635	129,340	413,558	16,559	-
Shares/indexes Options (sale)	83,309	8,936	12,468	104,713	-	12,631
Preference shares forwards	-	-	30,000	30,000	-	2,601
Other shares/indexes contracts	15,835	-	-	15,835	-	-
	<u>389,860</u>	<u>212,274</u>	<u>260,670</u>	<u>862,804</u>	<u>21,690</u>	<u>19,963</u>
Stock Exchange transactions:						
Shares futures	67,243	-	-	67,243	-	-
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	31,703	-	-	31,703	-	-
Credit derivatives:						
OTC Market:						
Credit Default Swaps	3,864	-	3,678,466	3,682,330	167,664	295,349
Other credit derivatives (sale)	-	-	35,931	35,931	-	-
	<u>3,864</u>	<u>-</u>	<u>3,714,397</u>	<u>3,718,261</u>	<u>167,664</u>	<u>295,349</u>
Total financial instruments traded in:						
OTC Market	11,974,959	5,739,452	33,273,160	50,987,571	1,201,061	1,344,028
Stock Exchange	103,948	-	-	103,948	-	-
Embedded derivatives					118,601	11,351
	<u>12,078,907</u>	<u>5,739,452</u>	<u>33,273,160</u>	<u>51,091,519</u>	<u>1,319,662</u>	<u>1,355,379</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

25. Hedging derivatives

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
<i>Hedging instruments</i>		
Assets:		
Swaps	122,240	495,879
Liabilities:		
Swaps	390,462	508,032

Hedging derivatives are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7 these derivatives are classified in level 2.

The Group applies derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash-flows or highly probable forecast transactions.

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

The relationships that follow the fair value hedge model recorded ineffectiveness for the period in the negative amount of Euros 39,994,000 (31 December 2011: Euros 22,891,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness for the period of a negative amount of Euros 4,258,000 (31 December 2011: Euros 1,118,000).

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
<i>Hedged item</i>		
Loans not represented by securities	3,198	7,024
Loans represented by securities	146	-
Deposits	(22,571)	(26,926)
Loans	5,702	14,696
Debt issued	(232,074)	(263,923)
Financial assets held to maturity	1,124	-
	<u>(244,475)</u>	<u>(269,129)</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The analysis of the portfolio of hedging derivatives by maturity as at 30 June 2012 is as follows:

	Jun 2012					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	More than 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedge derivatives with interest rate risk:						
OTC Market:						
Interest rate Swaps	16,925	1,171,416	2,157,376	3,345,717	98,157	84,930
OTC Market:						
Interest rate Swaps	578,565	19,504	57,203	655,272	23,827	292,480
Cash flow hedge derivatives with currency risk:						
OTC Market:						
Forward exchange contract	15,125	45,512	114,299	174,936	256	13,052
Total financial instruments						
Traded by:						
OTC Market	610,615	1,236,432	2,328,878	4,175,925	122,240	390,462
	<u>610,615</u>	<u>1,236,432</u>	<u>2,328,878</u>	<u>4,175,925</u>	<u>122,240</u>	<u>390,462</u>

The analysis of the portfolio of hedging derivatives by maturity as at 31 December 2011 is as follows:

	Dec 2011					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	More than 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedge derivatives with interest rate risk:						
OTC Market:						
Interest rate Swaps	179,735	372,447	5,986,265	6,538,447	467,322	66,552
Cash flow hedge derivatives with interest rate risk:						
OTC Market:						
Interest rate Swaps	1,393,153	1,193,754	-	2,586,907	28,557	425,265
Cash flow hedge derivatives with currency risk:						
OTC Market:						
Forward exchange contract	14,628	44,013	140,279	198,920	-	16,215
Total financial instruments						
Traded by:						
OTC Market	1,587,516	1,610,214	6,126,544	9,324,274	495,879	508,032
	<u>1,587,516</u>	<u>1,610,214</u>	<u>6,126,544</u>	<u>9,324,274</u>	<u>495,879</u>	<u>508,032</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

26. Financial assets held to maturity

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Bonds and other fixed income securities		
Issued by Government and public entities	2,207,115	3,011,692
Issued by other entities	1,535,033	2,681,153
	<u>3,742,148</u>	<u>5,692,845</u>
Impairment for securities	-	(532,665)
	<u>3,742,148</u>	<u>5,160,180</u>

The balance Bonds and other fixed income securities - Issued by Government and public entities, includes as at 30 June 2012, the amount of Euros 2,149,933,000 (31 December 2011: Euros 2,419,426,000) related to European Union countries, in bailout situation, and which detail is presented in note 57.

The balance Financial assets held to maturity also includes, as at 30 June 2012, the amount of Euros 1,250,361,000 (31 December 2011: Euros 1,421,590,000) related to non derivatives financial assets (bonds) reclassified from financial assets held for trading caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 24.

The balance Financial assets held to maturity also includes, as at 30 June 2012, the amount of Euros 563,249,000 (31 December 2011: Euros 578,799,000) related to non derivatives financial assets (bonds) reclassified, in 2010, from financial assets available for sale caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 24.

The movements of the impairment of the Financial assets held to maturity are analysed as follows:

	2011
	Euros '000
Balance on 1 January	532,665
Impairment for the period	119
Securities charged-off	<u>(532,784)</u>
Balance on 30 June	<u>-</u>

The evolution of the European Union sovereign debt crisis and specifically the economic and political environment in Greece have contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the capital markets, which implies that the short term solvency of the country is dependent on the continuous support by EU and IMF.

Considering this environment, as at 31 December 2011, the balance Impairment of Financial assets corresponds to the impairment recognised on Greek sovereign debt during 2011. Impairment was determined considering the terms of the agreement established between the Greek state and the private sector, related with the restructuring of the Greek sovereign debt ('GGBs'). The key terms for private sector involvement ('PSI') in the above mentioned restructuring, are as follows:

a) Holders of GGBs exchanged their existing GGBs for:

- New GGBs with a face amount equal to 31.5% of the par amount of the old GGBs.
- Notes issued by the European Financial Stability Facility (EFSF) with a face amount equal to 15% of par of the old GGBs. The notes will bear a market rate of interest and mature within 24 months.

b) The new GGBs have the following key terms:

- Initial annual coupons of 2% increasing to 3% and then 4.3%.
- Repayment of principal in 20 annual installments commencing on the 11th anniversary of the issue date with final maturity in 2042.
- Aggregated collective action clauses.
- Listing on the Athens stock Exchange.
- Issues ruled by English law.
- Detachable GDP-linked securities entitling the holder to an additional annual coupon of 1% if specified GDP targets are met.

The PSI is part of an European Union Euro 130 billion bailout package for Greece which requires parliamentary approval of Eurozone countries.

The Group accepted the restructuring and the transaction was settled in 12 March 2012.

For the purposes of determining impairment the Group considered the terms and conditions of the PSI and also paragraph AG 84 of IAS 39 that considers reasonable that, for the portfolio of assets held to maturity when, for practical reasons, there are relevant uncertainties regarding the estimate of future cash-flows, impairment can be determined based on observable market prices.

Considering the available information regarding the new bonds, the fair value corresponded on 31 December 2011, to approximately 23% of the book value of the old GGB.

After the exchange, the Group has been selling the remaining portfolio of Greek sovereign debt held. On 30 June, 2012, resulting from this exchange, there are only Greek sovereign debt securities in the portfolio of Millennium Bank (Greece) in the amount of Euros 8,700,000 that are registered in the portfolio of financial assets available for sale.

In light of the restructuring of the Greek sovereign debt in the first quarter of 2012, the Group charged off the impairment. The Group recognised in 2011, an amount of impairment of Euros 532,665,000, which corresponded, as at 31 December 2011 to 77% of the nominal amount of the debt.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Transport and communications	172,133	170,333
Services	1,362,900	2,510,819
	<u>1,535,033</u>	<u>2,681,152</u>
Government and Public securities	2,207,115	2,479,028
	<u>3,742,148</u>	<u>5,160,180</u>

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

27. Investments in associated companies

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Portuguese credit institutions	22,816	24,863
Foreign credit institutions	25,160	24,104
Other Portuguese companies	356,038	247,053
Other foreign companies	10,618	9,055
	<u>414,632</u>	<u>305,075</u>

The balance Investments in associated companies is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Banque BCP, S.A.S.	20,666	19,696
Banque BCP (Luxembourg), S.A.	4,494	4,408
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	341,004	233,441
SIBS - Forward Payment Solutions, S.A.	13,797	13,312
Unicre - Instituição Financeira de Crédito, S.A.	22,816	24,863
Other	11,855	9,355
	<u>414,632</u>	<u>305,075</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

These investments correspond to unquoted companies, consolidated by the equity method. The investment held in the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S. corresponds to 49% of the share capital of the company. The Group companies included in the consolidation perimeter are presented in note 60.

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

	Total Assets Euros '000	Total Liabilities Euros '000	Total Income Euros '000	Net income for the year Euros '000
Jun 2012				
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	11,690,854	10,533,684	255,480	53,617
SIBS - Forward Payment Solutions, S.A. (*)	199,443	136,565	78,487	3,716
Unicre - Instituição Financeira de Crédito, S.A. (*)	306,204	234,903	122,179	2,746
VSC - Aluguer de Veículos Sem Condutor, Lda.	46,449	71,604	11,243	(8,360)
Dec 2011				
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	11,678,148	10,731,860	575,911	16,412
SIBS - Forward Payment Solutions, S.A.	123,463	55,173	154,098	4,669
Unicre - Instituição Financeira de Crédito, S.A.	322,197	236,728	260,338	11,916
VSC - Aluguer de Veículos Sem Condutor, Lda.	75,883	92,678	33,922	(4,883)

(*) - estimated values.

The Group limits the foreign currency exposure of investments made in subsidiaries abroad through the financing of net investments in money market operations and deposits from customer in the same currencies that makes the referred investments. The information of net investments, considered by the Group in hedging strategies on subsidiaries and on hedging instruments used, is as follows:

Company	Currency	Net Investment Currency '000	Hedging instruments Currency '000	Net Investment Euros '000	Hedging instruments Euros '000
Banque Privée BCP (Suisse) S.A.	CHF	114,450	114,450	95,137	95,137
BCP Bank & Trust Company Ltd.	USD	340,000	340,000	270,056	270,056
BCP Finance Bank Ltd	USD	561,000	561,000	445,592	445,592
BCP Finance Company, Ltd	USD	1	1	1	1
BCP holdings (usa), Inc.	USD	64,445	64,445	51,187	51,187
BII Finance Company Limited	USD	25	25	20	20

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity.

The ineffectiveness generated in the hedging operations is recognised in the statement of income, as referred in the accounting policy 1 e).

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

28. Non current assets held for sale

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Subsidiaries acquired exclusively with the purpose of short-term sale	48,846	48,884
Investments, properties and other assets arising from recovered loans	<u>1,316,547</u>	<u>1,352,995</u>
	1,365,393	1,401,879
Impairment	<u>(276,866)</u>	<u>(297,229)</u>
	<u><u>1,088,527</u></u>	<u><u>1,104,650</u></u>

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

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

The balance Investments properties and other assets arising from recovered loans includes buildings and other assets resulting from the foreclosure of contracts of loans to customers, originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to delivery the asset and the respective irrevocable power of attorney issued by the customer in the name of the Bank; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first pawn (payment prosolvency).

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

The referred balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euros 100,756,000 (31 December 2011: Euros 108,871,000).

The movements of impairment for non current assets held for sale are analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Balance on 1 January	297,229	227,670
Transfers	14	71
Impairment for the year	63,165	36,461
Write-back for the year	(14)	(71)
Loans charged-off	<u>(83,528)</u>	<u>(29,529)</u>
Balance on 30 June	<u><u>276,866</u></u>	<u><u>234,602</u></u>

29. Investment property

The balance Investment property includes the amount of Euros 549,944,000 (31 December 2011: Euros 550,237,000) related to buildings accounted in the "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo Especial de Investimento Imobiliário Oceânico II", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital", "Fundo Especial de Investimento Imobiliário Fechado Sand Capital", "Fundo de Investimento Imobiliário Fechado Gestimo" and "Fundo Especial de Investimento Imobiliário Fechado Intercapital", which are consolidated under the full consolidation method as referred in the accounting policy presented in note 1 b).

The buildings are valued in accordance with the accounting policy presented in note 1 r).

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

30. Property and equipment

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Land and buildings	968,133	960,072
Equipment		
Furniture	99,011	98,511
Machines	55,616	53,291
Computer equipment	315,232	311,571
Interior installations	147,159	146,022
Motor vehicles	19,952	20,749
Security equipment	84,621	84,140
Work in progress	102,542	96,710
Other tangible assets	45,249	48,073
	<u>1,837,515</u>	<u>1,819,139</u>
<i>Accumulated depreciation</i>		
Charge for the year	(34,384)	(80,482)
Accumulated charge for the previous years	(1,184,046)	(1,114,058)
	<u>(1,218,430)</u>	<u>(1,194,540)</u>
	<u>619,085</u>	<u>624,599</u>

31. Goodwill and intangible assets

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
<i>Intangible assets</i>		
Software	132,646	142,871
Other intangible assets	55,459	53,741
	<u>188,105</u>	<u>196,612</u>
<i>Accumulated depreciation</i>		
Charge for the year	(7,814)	(15,628)
Accumulated charge for the previous years	(146,240)	(144,172)
	<u>(154,054)</u>	<u>(159,800)</u>
	<u>34,051</u>	<u>36,812</u>
<i>Goodwill</i>		
Millennium Bank, Societé Anonyme (Greece)	294,260	294,260
Bank Millennium, S.A. (Poland)	164,040	164,040
Real estate and mortgage credit	40,859	40,859
Unicre - Instituição Financeira de Crédito, S.A.	7,436	7,436
Others	15,627	15,638
	<u>522,222</u>	<u>522,233</u>
<i>Impairment</i>		
Millennium Bank, Societé Anonyme (Greece)	(294,260)	(294,260)
Others	(13,519)	(13,519)
	<u>(307,779)</u>	<u>(307,779)</u>
	<u>214,443</u>	<u>214,454</u>
	<u>248,494</u>	<u>251,266</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

In accordance with IAS 36 the recoverable amount of goodwill should be the greater between its value on use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on this criteria the Group proposed in 2011 appraisals to their investments for which there is goodwill recognised (Bank Millennium, S.A. (Poland); Millennium Bank, S.A. (Greece); Banco de Investimento Imobiliário, S.A.) which considered among other factors:

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

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

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

On this basis, and considering the deterioration of the economic situation in Greece and the effect on the projections of the operations in Greece, the Group concluded for the need to reflect in the consolidated financial statements as at 31 December 2011, an impairment of the remaining Goodwill associated to Millennium Bank (Greece) in the amount of Euros 147,130,000.

32. Deferred income tax assets and liabilities

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

	Jun 2012		Dec 2011	
	Assets	Liabilities	Assets	Liabilities
	Euros '000	Euros '000	Euros '000	Euros '000
Intangible assets	58	-	59	-
Other tangible assets	4,948	3,839	4,014	3,813
Impairment losses	538,618	4,765	629,060	4,025
Benefits to employees	545,054	10	606,027	-
Financial assets available for sale	55,374	28,792	143,663	73,486
Derivatives	-	2,522	-	3,312
Allocation of profits	70,662	-	78,760	-
Tax losses carried forward	403,599	-	253,166	-
Others	42,002	56,198	39,134	104,709
	<u>1,660,315</u>	<u>96,126</u>	<u>1,753,883</u>	<u>189,345</u>
Deferred tax assets	<u>1,564,189</u>		<u>1,564,538</u>	
Impairment losses	-	1,602	-	1,917
Available for sale assets	-	2,558	405	1,479
Others	1,056	550	1,132	526
	<u>1,056</u>	<u>4,710</u>	<u>1,537</u>	<u>3,922</u>
Deferred tax liabilities		<u>3,654</u>		<u>2,385</u>
Net deferred tax	<u><u>1,560,535</u></u>		<u><u>1,562,153</u></u>	

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The caption deferred tax assets - Employee Benefits includes as at 30 June, 2012 the amount of Euros 264,124,000 (31 December 2011: Euros 292,560,000) related to the recognition of deferred taxes associated with actuarial gains and losses recognised against reserves, as a result of a change in the accounting policy as referred in notes 1, 50 and 58. The referred caption also includes the amount of Euros 46,467,000 related to the recognition of deferred taxes associated with the transfer of the liabilities with retired employees / pensioners to the General Social Security Scheme, which was recognised in the income statement.

Under the scope of the transfer of the responsibilities to the General Social Security Scheme and the change in accounting policy, a special tax scheme was established for the tax deductibility of expenses and other changes in equity arising from these transactions, as follows:

- The negative impact in equity associated with the change in the accounting policy for the recognition of actuarial gains and losses previously deferred, will be fully deductible during 10 years on a straight line basis, starting on 1 January, 2012.
- The impact of the settlement (determined by the difference between the liability measured in accordance with the criteria of IAS 19 and the criteria defined in the agreement) will be fully deductible for purposes of determining taxable income, on a straight line basis, depending on the average number years of life expectancy of retirees / pensioners whose responsibilities were transferred (18 years for the Group), starting on 1 January, 2012.

Thus, the deferred tax assets resulting from changes in the accounting policy of recognition of actuarial gains and losses resulting from the transfer of responsibilities are recoverable in 10 and 18 years, respectively.

The amount of deferred taxes recognised in the Income Statement, is attributable to temporary differences arising from the following balances:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Intangible assets	-	(195)
Other tangible assets	805	1,942
Impairment losses	(56,361)	213,085
Employees benefits	(61,228)	(28,567)
Derivatives	960	121
Allocation of profits	(8,098)	5,206
Tax losses carried forward	139,961	11,360
Others	18,779	8,020
Deferred taxes	<u>34,818</u>	<u>210,972</u>

The caption Impairment losses includes in 30 June 2011, the amount of Euros 132,000,000 resulting from the recognition of deferred tax assets associated with losses related to the investment held in Bitapart, BV.

Deferred taxes related to the losses carried forward are recognised only if the existence of future taxable profits is probable. The uncertainty of the recoverability of the tax losses carried forward is considered in the deferred tax assets calculation.

Deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, the Group can set off current tax assets against current tax liabilities and when deferred taxes are related to the same tax.

The net deferred tax asset movement is analysed as follows:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Balance on 1 January	1,562,153	975,332
Charged to profit	34,818	210,972
Charged to reserves and retained earnings	(38,111)	49,447
Exchange rate differences	1,675	10,769
Balance on 30 June	<u>1,560,535</u>	<u>1,246,520</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The change in the net deferred tax - does not refer to the deferred tax expenses of the exercise due to the fact that the actuarial gains and losses related with pension and other post employment benefits regarding contributions for the year and for previous years, and the unrealised gains and losses resulting from the revaluation of financial assets available for sale, are recognised in equity.

As at 30 June 2012, the amount of unrecognised temporary differences corresponds mainly to actuarial losses arising from changes in accounting policy and impairment non taxable, that resulted in a deferred tax asset in the amount of Euros 275,000,000 (31 December 2011: Euros 275,000,000) and Euros 90,000,000 (31 December 2011: Euros 0), respectively, and losses carried forward in the amount of Euros 48,731,000 (31 December 2011: Euros 50,330,000). The referred amount was not recognised because of the expectation of its non recovering in accordance with the expire date of the tax losses carried forward. With the exceptions of the actuarial losses and the tax losses carried forward, the remain temporary differences do not have expire dates.

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

Expire date	Jun 2012 Euros '000	Jun 2011 Euros '000
2013	1	-
2014	52,776	51,111
2015	172,990	169,990
2016	27,874	28,153
2017 and following years	149,958	3,912
	<u>403,599</u>	<u>253,166</u>

33. Other assets

This balance is analysed as follows:

	Jun 2012 Euros '000	Dec 2011 Euros '000
Debtors	345,450	540,751
Amounts due for collection	18,238	20,413
Recoverable tax	110,667	110,816
Recoverable government subsidies on interest on mortgage loans	23,867	20,154
Associated companies	1,077	1,943
Interest and other amounts receivable	42,913	34,030
Prepayments and deferred costs	49,292	29,006
Amounts receivable on trading activity	54,273	566,814
Amounts due from customers	124,243	147,398
Reinsurance technical provision	4,957	3,188
Sundry assets	278,158	398,723
	<u>1,053,135</u>	<u>1,873,236</u>
Impairment for other assets	<u>(76,166)</u>	<u>(82,586)</u>
	<u>976,969</u>	<u>1,790,650</u>

The movement of impairment for other assets is analysed as follows:

	Jun 2012 Euros '000	Dec 2011 Euros '000
Balance on 1 January	82,586	33,754
Transfers	(18,907)	8,615
Impairment for the year	13,084	6,279
Write back for the year	(438)	(549)
Amounts charged-off	-	(634)
Exchange rate differences	(159)	194
	<u>76,166</u>	<u>47,659</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

34. Deposits from credit institutions

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Central Banks	14,298,326	13,670,434
Credit institutions in Portugal	397,830	1,087,311
Credit institutions abroad	3,099,639	2,965,674
	<u>17,795,795</u>	<u>17,723,419</u>

Concerning derivative financial transactions with institutional counterparties, and according to the signed agreements, the Group has, as of 30 June 2012, the amount of Euros 308,423,000 (31 December 2011: Euros 369,535,000) of Deposits from other credit institutions, received as collateral of the mentioned transactions.

35. Deposits from customers

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Deposits from customers:		
Repayable on demand	13,600,878	13,800,706
Term deposits	32,527,337	31,976,867
Saving accounts	1,444,404	1,342,413
Treasury bills and other assets sold under repurchase agreement	52,477	113,847
Others	349,158	282,277
	<u>47,974,254</u>	<u>47,516,110</u>

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

36. Debt securities issued

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Bonds	14,629,411	14,699,586
Commercial paper	-	1,439,407
Others	91,159	97,209
	<u>14,720,570</u>	<u>16,236,202</u>

37. Financial liabilities held for trading

The balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Derivatives		
FRA	69	27
Swaps	1,244,066	1,298,411
Forwards over preference shares	249	2,601
Options	116,076	29,739
Embedded derivatives	30,458	11,351
Forwards	10,101	13,250
Others	108,581	123,301
	<u>1,509,600</u>	<u>1,478,680</u>
of which:		
Level 1	14,740	-
Level 2	1,565,602	1,478,680

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As referred in IFRS 7, financial liabilities held for trading are classified in accordance with the following fair value measurement level:

- Level 1: financial instruments measured in accordance with quoted market prices or providers.
- Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs.
- Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

The balance Financial liabilities held for trading includes, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 d), in the amount of Euros 30,458,000 (31 December 2011: Euros 11,351,000). This note should be analysed together with note 24.

38. Other financial liabilities at fair value through profit or loss

The balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Deposits from credit institutions	22,312	14,510
Deposits from customers	7,954	5,834
Bonds	206,756	2,558,646
	<u>237,022</u>	<u>2,578,990</u>

Other financial liabilities at fair value through profit or loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7, these instruments are classified in level 2.

The balance Other financial liabilities at fair value through profit or loss account is revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 30 June 2012, a loss in the amount of Euros 21,599,000 was recognised (31 December 2011: loss of Euros 20,,591000) related to the fair value changes resulting from variations in the credit risk of the Group .

39. Provisions for liabilities and charges

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Provision for guarantees and other commitments	118,847	100,708
Technical provision for the insurance activity:		
For direct insurance and reinsurance accepted:		
Unearned premium / reserve	15,771	13,663
Life insurance	55,789	56,039
Bonuses and rebates	1,829	2,866
Other technical provisions	9,544	9,095
Provision for pension costs	4,134	3,768
Other provisions for liabilities and charges	63,713	59,961
	<u>269,627</u>	<u>246,100</u>

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

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Balance on 1 January	100,708	80,906
Transfers	4,577	7,087
Charge for the year	21,976	4,787
Write-back for the year	(8,645)	(9,745)
Exchange rate differences	231	(31)
	<u>118,847</u>	<u>83,004</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

	jun 2012	dez 2011
	Euros '000	Euros '000
Balance on 1 January	59,961	89,397
Transfers	(442)	(7)
Charge for the year	7,607	2,398
Write-back for the year	(378)	(35,737)
Amounts charged-off	(2,960)	(3,956)
Exchange rate differences	(75)	283
Balance on 30 June	<u>63,713</u>	<u>52,378</u>

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

40. Subordinated debt

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Bonds	4,207,360	1,146,543
	<u>4,207,360</u>	<u>1,146,543</u>

The caption Subordinated debt - Bonds includes, as at 30 June 2012, the amount of Euros 3,000,000,000 related to the issue at 29 June 2012 by Banco Comercial Português, S.A., hybrids subordinated debt instruments qualify as Core Tier I Capital (CoCo's) fully subscribed by the Portuguese State. The instruments are fully reimbursable by the Bank through a five years period and only in special conditions, as not carry out or lack of payment, are susceptible to convert in Bank's shares.

As referred in note 59, the referred instruments were issued under the scope of the recapitalization program of the bank, using the Euros 12,000,000,000 line available by the Portuguese State, under the scope of the IMF intervention program, in accordance with the law n. 150-A/2012. These instruments are eligible to solvency effects to Core Tier I, allowing the Bank fulfil the 9% limit of the Core Tier I ratio in 30 June 2012, as referred in note 54. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability, according with its characteristics, namely: (i) obligation condition to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at that date, in order to have the value of the bond settled.

Then, the classification as liability results from the fact that the investor, as holder of the instrument issue, is not exposed to the company equity instruments risk, as always will receive the equivalent amount of the invested value, in cash and in own institution securities in the same amount.

The operation has an increase rate beginning in 8.5% and ending at the maturity at 10% in 2016.

As at 30 June 2012, the characteristics of subordinated debt issued are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
<i>Non Perpetual Bonds</i>					
Banco Comercial Português:					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018	See reference (i)	251,425	251,425
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018	See reference (i)	70,802	70,802
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020	See reference (ii)	87,178	90,339
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020	See reference (iii)	53,298	55,803
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	August, 2020	See reference (iv)	114,000	114,000
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	See reference (iv)	64,100	64,100
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	See reference (iv)	35,000	35,000
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	7,928
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	45,283
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	34,032
Bcp Subord Nov 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	20,641
Mill Bcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	10,194
Mbcp Subord fev2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	18,742
Bcp Subord abr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	42,128
Bcp Subord 2 Serie abr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	20,458

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bank Millennium:					
Bank Millennium 2007	December, 2007	December, 2017	Fixed rate of 6.337%	150,441	150,441
Banco de Investimento Imobiliário:					
BII 2004	December, 2004	December, 2014	See reference (v)	15,000	14,988
BCP Finance Bank:					
BCP Fin Bank Ltd EMTN - 295	December, 2006	December, 2016	See reference (vi)	71,209	71,188
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate of 13.000%	78,900	49,069
Magellan No. 3:					
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44
					<u>1,166,605</u>
<i>Perpetual Bonds</i>					
BCP - Euro 200 millions	June, 2002	-	See reference (vii)	85	40
TOPS BPSM 1997	December, 1997	-	Euribor 6M + 0.900%	22,022	22,660
BCP Leasing 2001	December, 2001	-	See reference (viii)	4,986	4,986
					<u>27,686</u>
CoCo's					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (ix)	3,000,000	2,995,962
					<u>2,995,962</u>
<i>Accruals</i>					
					<u>17,107</u>
					<u>4,207,360</u>

References :

- (i) - 1st year 6.000%; 2nd to 5th year Euribor 6M + 1.000%; 6th year and following Euribor 6M + 1.400%
- (ii) - Until the 5th year fixed rate of 3.250%; 6th year and following years Euribor 6M + 1.000%
- (iii) - 1st year: 3.000%; 2nd year 3.250%; 3rd year 3.500%; 4th year 4.000%; 5th year 5.000%; 6th year and following Euribor 6M + 1.250%
- (iv) - Euribor 3M + 3.750% per year
- (v) - Until 10th coupon Euribor 6M + 0.400%; After 10th coupon Euribor 6M + 0.900%
- (vi) - Euribor 3M + 0.300% (0.800% after December 2011)
- (vii) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.400%
- (viii) - Until 40th coupon Euribor 3M + 1.750%; After 40th coupon Euribor 3M + 2.250%
- (ix) - 1st year: 8.500%; 2nd year 8.750%; 3rd year 9.000%; 4th year 9.500%; 5th year 10.000%

41. Other liabilities

This balance is analysed as follows:

	Jun 2012 Euros '000	Dec 2011 Euros '000
Creditors:		
Suppliers	28,426	49,000
From factoring operations	3,611	2,839
Associated companies	28	457
Other creditors	442,633	423,983
Public sector	87,182	74,125
Interests and other amounts payable	80,133	83,948
Deferred income	4,687	8,948
Holiday pay and subsidies	74,620	75,863
Other administrative costs payable	1,569	2,214
Amounts payable on trading activity	525,024	316,625
Other liabilities	691,518	609,206
	<u>1,939,431</u>	<u>1,647,208</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The balance Creditors - Other creditors includes the amount of Euros 5,504,000 (31 December 2011: Euros 5,504,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors. As referred in note 50, the above mentioned obligations are not covered by the Pension Fund, and therefore correspond to amounts payable by the Group.

The movements of the obligations with retirement benefits to be paid to former members of the Executive Board of Directors are presented in note 50.

The balance Creditors - Other creditors also includes, Euros 53,180,000 (31 December 2011: Euros 53,150,000) related with the seniority premium, as described in note 50.

The balance Other liabilities includes the amount of Euros 172,380,000 (31 December, 2011: Euros 90,475,000) related to liabilities for post-employment benefits not covered by the pension fund, as described in note 50.

42. Share capital, preference shares and other capital instruments

The share capital of the Bank, amounts to Euros 3,000,000,000 and is represented by 7,207,167,060 nominate and ordinary shares without nominal value, which is fully paid.

In accordance with the Shareholders General Meeting in 31 May of 2012, and as referred in note 48, in June 2012, the bank reduced the share capital from Euros 6,064,999,986 to Euros 3,000,000,000, without changing the number of shares without nominal value at this date. The reduction included two components: a) Euros 1,547,873,439.69 to cover losses on the individual accounts of the Bank occurred in the year 2011; b) Euros 1,517,126,546.31, to reinforce the future conditions in order to have funds that can be distribute.

It was concluded in June 2011 the capital increase of the Banco Comercial Português, S.A. from Euros 4,694,600,000 to Euros 6,064,999,986 as a result of:

- (i) Euros 120,400,000, by incorporation of share premium reserves, through the issuance of 206,518,010 new ordinary and nominative shares without nominal value;
- (ii) Euros 990,147,000, by contribution in kind of 990,147 perpetual subordinated instruments with interests conditioned, by issuing 1,584,235,200 new ordinary and nominative shares without nominal value, that resulted in the conversion of the majority of the perpetual subordinated securities;
- (iii) Euros 259,852,986, by the issue of 721,813,850 ordinary shares without nominal value, with the issue and subscribe value of Euros 0.36, with preference reserve to the shareholders, in the exercise of the preference legal rights.

During 2009, Banco Comercial Português, S.A. issued 3 tranches of its perpetual subordinated debt securities which based on its characteristics are classified, in accordance with accounting policy presented in note 1 h), as capital instruments under IAS 32. The three tranches issued in 2009 are analysed as follows:

- In June 2009, the Bank has issued Euros 300,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000.
- In August 2009, the Bank has issued Euros 600,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000.
- In December 2009, the Bank has issued Euros 100,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000.

Following the share capital increase mentioned above, the majority of the issued perpetual subordinated securities were converted into ordinary shares, in October 2011.

In accordance with the Decree-Law no. 49/2010 of 19 May, which allows the share capital of an open company can be represented by shares without nominal value, the Shareholders General Meeting approved in 2011 that the share capital is represented by shares without nominal value.

In 2011, the preference shares issued by BCP Finance Company in the amount of Euros 1,000,000,000, which in accordance with IAS 32 and the accounting policy described in note 1 h) were considered as capital instruments, were converted, in to debt instruments in accordance with the offering launched by Banco Comercial Português, S.A. in 22 September 2011, for debt instruments and preference shares holders, included on the liability management strategy of the Group.

43. Legal reserve

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. In accordance with the proposal of share capital reduction approved in the General Shareholders Meeting held on 31 May 2012, the Bank increase the legal reserves in the amount of Euros 123,892,877.

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

44. Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Other comprehensive income:		
Actuarial losses (net of taxes)	(1,853,042)	(1,710,015)
Exchange differences arising on consolidation	(91,982)	(118,242)
Fair value reserves		
Financial assets available for sale	(207,376)	(471,254)
Cash-flow hedge	(11,256)	12,126
Tax		
Financial assets available for sale	17,535	71,972
Cash-flow hedge	2,141	(2,304)
	<u>(2,143,980)</u>	<u>(2,217,717)</u>
Other reserves and retained earnings:		
Legal reserve	600,000	476,107
Statutory reserve	30,000	30,000
Other reserves and retained earnings	5,221,425	3,129,723
Goodwill arising on consolidation	(2,883,580)	(2,883,580)
Other reserves arising on consolidation	(167,239)	(165,483)
	<u>2,800,606</u>	<u>586,767</u>

The legal reserve changes are analysed in note 43. The Fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash flow hedge, in accordance with the accounting policy presented in note 1 d).

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

The balance Reserves and Retained Earnings includes, as at 1 January 2011, a restatement in the amount of Euros 1,635,875,000 (net of deferred tax) resulting from the decision taken by the former Executive Board of Directors of changing the accounting policy regarding the recognition of actuarial gains and losses.

The balance Other comprehensive income includes gains and losses that in accordance with IAS/IFRS are recognised in equity.

The balance Other reserves and retained earnings included in 31 December, 2011 the amount of Euros 440,435,000 regarding the positive impact of the exchange of preference shares for new debt instruments.

The movements in Fair value reserves for financial assets available for sale, during the first semester of 2012 are analysed as follows:

	Balance on	Revaluation	Impairment in	Sales	Balance on
	1 January	Euros '000	profit and loss	Euros '000	30 June
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Millenniumbcp Ageas	(225,886)	77,060	-	-	(148,826)
Portuguese public debt securities	(174,728)	165,898	-	2,460	(6,370)
Other investments	(70,640)	(803)	11,137	8,126	(52,180)
	<u>(471,254)</u>	<u>242,155</u>	<u>11,137</u>	<u>10,586</u>	<u>(207,376)</u>

The gross movements in Fair value reserves for financial instruments available for sale, during first semester of 2011 are analysed as follows:

	Balance on	Revaluation	Impairment in	Sales	Balance on
	30 June	Euros '000	profit and loss	Euros '000	31 December
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Millenniumbcp Ageas	(206,535)	(19,351)	-	-	(225,886)
Portuguese public debt securities	(113,973)	(60,955)	-	200	(174,728)
Other investments	(69,226)	21,849	13,710	(36,973)	(70,640)
	<u>(389,734)</u>	<u>(58,457)</u>	<u>13,710</u>	<u>(36,773)</u>	<u>(471,254)</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

45. Treasury stock

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares	Other treasury stock	Total
Jun 2012			
Net book value (Euros '000)	1,350	9,446	10,796
Number of securities	13,044,581	(*)	
Average book value (Euros)	0.10		
Dec 2011			
Net book value (Euros '000)	3,803	7,619	11,422
Number of securities	25,127,258	(*)	
Average book value (Euros)	0.15		

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

(*) As at 30 June 2012, this balance includes 12,594,581 shares (31 December 2011: 20,695,482 shares) owned by clients which were financed by the Bank. Considering the fact that for these clients there is evidence of impairment, under the IAS 39 the shares of the Bank owned by these clients were, only for accounting purposes and in accordance with this standard, considered as treasury stock.

46. Non-controlling interests

This balance is analysed as follows:

	Balance Sheet		Income Statement	
	Jun 2012 Euros '000	Dec 2011 Euros '000	Jun 2012 Euros '000	Jun 2011 Euros '000
Bank Millennium, S.A.	377,892	354,789	15,805	18,629
BIM - Banco Internacional de Moçambique, SA	112,372	109,645	15,982	14,335
Banco Millennium Angola, S.A.	104,225	83,999	8,378	7,122
Other subsidiaries	(2,638)	(818)	(675)	155
	<u>591,851</u>	<u>547,615</u>	<u>39,490</u>	<u>40,241</u>

The movements of the non-controlling interests are analysed as follows:

	Jun 2012 Euros '000	Jun 2011 Euros '000
Balance on 1 January	547,615	497,501
Exchange differences	16,209	(3,745)
Increase share capital of Banco Millennium Angola	7,971	-
Share capital reduction of M Inovação	(1,179)	-
Dividends	(10,809)	(19,099)
Other	(7,446)	(3,354)
	<u>4,746</u>	<u>(26,198)</u>
Net income attributable to non-controlling interests	<u>39,490</u>	<u>40,241</u>
Balance on 30 June	<u>591,851</u>	<u>511,544</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

47. Guarantees and other commitments

This balance is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Guarantees granted	7,174,223	7,873,914
Guarantees received	30,898,366	30,238,624
Commitments to third parties	8,868,841	9,699,210
Commitments from third parties	15,924,376	13,483,634
Securities and other items held for safekeeping on behalf of customers	107,205,562	121,083,525
Securities and other items held under custody by the Securities Depository Authority	128,401,428	132,002,341
Other off balance sheet accounts	167,165,525	165,637,007

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
<i>Guarantees granted:</i>		
Guarantees	5,569,850	6,127,839
Stand-by letter of credit	337,846	293,015
Open documentary credits	183,302	272,304
Bails and indemnities	1,083,225	1,180,756
	<u>7,174,223</u>	<u>7,873,914</u>
<i>Commitments to third parties</i>		
<i>Irrevocable commitments</i>		
Term deposits contracts	104,204	28,328
Irrevocable credit lines	2,134,568	2,145,275
Securities subscription	48,848	48,024
Other irrevocable commitments	332,105	364,725
<i>Revocable commitments</i>		
Revocable credit lines	5,083,612	5,664,922
Bank overdraft facilities	1,064,920	1,348,330
Other revocable commitments	100,584	99,606
	<u>8,868,841</u>	<u>9,699,210</u>

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

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

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

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

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

48. Relevant events occurred during the first semester of 2012

Issue of hybrid instruments eligible as capital Core Tier 1

Following (i) the definition of principles publicly announced on June 4, (ii) the approval of the Recapitalization Plan by the shareholders in a general meeting held on June 25, and (iii) the Decision made by his Excellency the Minister of State and Finance relating to the Bank's Recapitalization Plan pursuant to Article 13. of the Law 63-A/2008, of November 24, in its current wording, the Board of Directors of the Bank, with the prior opinion of the Audit Committee, approved the issuance of hybrid instruments of subordinated debt eligible as Core Tier 1 amounting to Euros 3,000,000,000, already fully subscribed and paid-up by the State. As mentioned in note 54 with the completion of this issue the Bank is adequately capitalized and ensures compliance with the capital requirements set forth by Banco de Portugal through its Notice no. 5/2012, consisting in Core Tier 1 of 9% at end-June 2012, calculated according to more stringent criteria in order to create a temporary capital buffer.

As referred in note 40, the instrument is considered for accounting a debt instrument.

General Meeting in 31 May 2012

On May 31, 2012, the Annual General Meeting of the Bank was held. In this meeting the following resolutions were taken: Approval of the individual and consolidated annual report, balance sheet and financial statements of 2011; Approval of the proposal to transfer the losses recorded in the 2011 individual balance sheet, amounting to 468,526,835.71 Euros, to Retained Earnings; Approval of the remuneration policy for the members of the Board of Directors, including the Executive Committee; Approval of the remuneration policy for heads of function, senior executives and other employees; Approval of the change in the items under Equity, by reducing the amount of the share capital. from Euros 6,064,999,986 to Euros 3,000,000,000.

Decrease of the Share Capital of the Banco Comercial Português, S.A. from Euros 6,064,999,986 to Euros 3,000,000,000

Banco Comercial Português, S.A. in accordance to the resolutions adopted at the Annual General Meeting of the Bank held on May 31, 2012, registered, at the respective Commercial Registry Office, the decrease of the Bank's share capital from 6,064,999,986 Euros to 3,000,000,000 euros, without changing the number of existing shares with no nominal value, being this decrease composed of two separate amounts: a) 1,547,873,439.69 euros, to cover losses recorded in the Bank's individual financial statements for 2011; b) 1,517,126,546.31 euros, to reinforce future conditions for having funds that may be qualified as distributable under the regulatory provisions. Therefore, the share capital of the Banco Comercial Português, S.A. currently amounts to Euros 3,000,000,000, represented by 7,207,167,060 nominative, book-entry shares without nominal value.

Offer of repurchase bonds

During the first semester of 2012, the Bank started an offer of repurchase of debt for holders of Magellan Mortgages No. 2 plc, and Magellan Mortgages No. 3 plc securities and Floating Rate Notes issued by Banco Comercial Portuguese SA, with repayment in May 2014. The offer is included in the set of initiatives undertaken by the Bank pursuant its liability management strategy. On this basis, it was repurchased Euros 486,981,371 of the nominal of these operations.

Offer to repurchase covered bonds

As at 23 March 2012, the Bank concluded the offer to repurchase the covered bonds listed below, issued by the Bank:

- Issue of Euros 1,500 millions due 22 June 2017 ("OH2017");
- Issue of Euros 1,000 millions due 29 October 2014 ("OH2014");
- Issue of Euros 1,000 millions due 8 October de 2016 ("OH2016").

The Bank accepted all of the orders given by the investors which amounted to Euros 918,650,000 (nominal value). The following table sets out the amounts tendered and accepted for each issue:

- "OH2017" - Euros 467,500,000, corresponding to 9,350 covered bonds;
- "OH2014" - Euros 129,150,000, corresponding to 2,583 covered bonds;
- "OH2016" - Euros 322,000,000, corresponding to 6,440 covered bonds.

The purpose of the offer was to proactively manage the Bank's outstanding liability and capital structure.

49. Fair value

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

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

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

Cash and deposits at central banks, Loans and advances to credit institutions repayable on demand

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Other loans and advances to credit institutions, Amounts owed to other credit institutions and Assets with repurchase agreements

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

For Deposits from Central banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank was 1% in June 2012 and 1% in December 2011.

Regarding other loans and advances to credit institutions and other amounts owed to other credit institutions, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year). As at 30 June 2012, the average discount rate was 2.62% for loans and advances and 3.86% for the deposits. As at 31 December 2011 the rates were 3.36% and 3.18%, respectively.

Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives), Financial assets available for sale and Other financial liabilities at fair value through profit or loss

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

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

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

Financial assets held to maturity

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

Hedging and trading derivatives

All derivatives are recorded at fair value.

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

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

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments for each of the homogeneous classes of this type of instrument and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the second quarter of 2012. The average discount rate was 5.31% as at 30 June 2012 and 6.38% as at 31 December 2011, assuming the projection of the variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

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

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

Deposits from customers

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate used reflects the actual rates of the Group to this type of funds and with similar residual maturity date. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of the Group at the date of the report, which was calculated from the average production of the second quarter of 2012. For June 2012, the average discount rate was of 4.73% and for December 2011 it was 5.09%.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Debt securities issued and Subordinated debt

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

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

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

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

The average reference yield curve obtained from market prices in EUR and used in the calculation of the fair value of own securities was 16.55% (31 December, 2011: 21.45%) for subordinated debt placed on the institucional market not considering the Co Co's issue. This issue, as referred in note 40, corresponds to a subordinated liability totally acquired by the State, issued at 29 June 2012, and therefore the fair value corresponds to the accounting balance. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 12.72% (31 December, 2011: 13.16%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 8.41% (31 December 2011: 18.00%) and 4.78% (31 December, 2011: 5.30%) for senior and collateralised securities placed on the retail market.

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined as at 30 June 2012 was a negative amount of Euros 738,160,000 (31 December 2011: a negative amount of Euros 2,626,164,000), and includes a receivable amount of Euros 6,500,000 (31 December 2011: a receivable amount of Euros 107,250,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities

As at 30 June 2012, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Group:

	Currencies			
	EUR	USD	GBP	PLN
1 day	0.25%	0.30%	0.53%	4.73%
7 days	0.27%	0.46%	0.62%	4.73%
1 month	0.32%	0.58%	0.74%	4.81%
2 months	0.42%	0.74%	0.89%	4.92%
3 months	0.60%	0.94%	1.09%	5.03%
6 months	0.87%	1.28%	1.41%	5.04%
9 months	1.02%	1.46%	1.61%	5.05%
1 year	0.85%	0.49%	1.76%	5.01%
2 years	0.85%	0.54%	0.98%	4.70%
3 years	0.95%	0.63%	1.00%	4.61%
5 years	1.30%	0.96%	1.26%	4.62%
7 years	1.64%	1.34%	1.62%	4.67%
10 years	1.99%	1.75%	2.11%	4.71%
15 years	2.28%	2.17%	2.55%	4.50%
20 years	2.30%	2.33%	2.79%	4.18%
30 years	2.29%	2.47%	2.97%	3.84%

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The following table shows the fair value of financial assets and liabilities of the Group:

	30 June 2012					
	At fair value through profit or loss	Available for sale	Amortised cost	Others	Book value	Fair value
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Cash and deposits at central banks	-	-	1,717,472	-	1,717,472	1,717,472
Loans and advances to credit institutions						
Repayable on demand	-	-	989,022	-	989,022	989,022
Other loans and advances	-	-	5,443,880	-	5,443,880	5,432,860
Loans and advances to customers	-	-	66,202,466	-	66,202,466	62,175,532
Financial assets held for trading	2,007,971	-	-	-	2,007,971	2,007,971
Financial assets available for sale	-	7,221,221	-	-	7,221,221	7,221,221
Assets with repurchase agreement	-	-	45,299	-	45,299	45,299
Hedging derivatives	122,240	-	-	-	122,240	122,240
Held to maturity financial assets	-	-	3,742,148	-	3,742,148	3,287,122
Investments in associated companies	-	-	-	414,632	414,632	414,632
	<u>2,130,211</u>	<u>7,221,221</u>	<u>78,140,287</u>	<u>414,632</u>	<u>87,906,351</u>	<u>83,413,371</u>
Deposits from credit institutions	-	-	17,795,795	-	17,795,795	17,710,982
Amounts owed to customers	-	-	47,974,254	-	47,974,254	47,799,268
Debt securities	-	-	14,720,570	-	14,720,570	13,982,410
Financial liabilities held for trading	1,509,600	-	-	-	1,509,600	1,509,600
Other financial liabilities held for trading						
at fair value through profit or loss	237,022	-	-	-	237,022	237,022
Hedging derivatives	390,462	-	-	-	390,462	390,462
Subordinated debt	-	-	4,207,360	-	4,207,360	3,951,416
	<u>2,137,084</u>	<u>-</u>	<u>84,697,979</u>	<u>-</u>	<u>86,835,063</u>	<u>85,581,160</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

31 December 2011

	At fair value through profit or loss Euros '000	Available for sale Euros '000	Amortised cost Euros '000	Others Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at central banks	-	-	2,115,945	-	2,115,945	2,115,945
Loans and advances to credit institutions						
Repayable on demand	-	-	1,577,410	-	1,577,410	1,577,410
Other loans and advances	-	-	2,913,015	-	2,913,015	2,902,432
Loans and advances to customers	-	-	68,045,535	-	68,045,535	63,530,297
Financial assets held for trading	2,145,330	-	-	-	2,145,330	2,145,330
Financial assets available for sale	-	4,774,114	-	-	4,774,114	4,774,114
Assets with repurchase agreement	-	-	495	-	495	495
Hedging derivatives	495,879	-	-	-	495,879	495,879
Held to maturity financial assets	-	-	5,160,180	-	5,160,180	4,344,123
Investments in associated companies	-	-	-	305,075	305,075	305,075
	<u>2,641,209</u>	<u>4,774,114</u>	<u>79,812,580</u>	<u>305,075</u>	<u>87,532,978</u>	<u>82,191,100</u>
Deposits from credit institutions	-	-	17,723,419	-	17,723,419	17,647,968
Amounts owed to customers	-	-	47,516,110	-	47,516,110	47,372,657
Debt securities	-	-	16,236,202	-	16,236,202	13,610,038
Financial liabilities held for trading	1,478,680	-	-	-	1,478,680	1,478,680
Other financial liabilities held for trading at fair value through profit or loss	2,578,990	-	-	-	2,578,990	2,578,990
Hedging derivatives	508,032	-	-	-	508,032	508,032
Subordinated debt	-	-	1,146,543	-	1,146,543	730,174
	<u>4,565,702</u>	<u>-</u>	<u>82,622,274</u>	<u>-</u>	<u>87,187,976</u>	<u>83,926,539</u>

50. Post-employment benefits and other long term benefits

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

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

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

At 30 June 2012 and 31 December 2011 the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

<i>Number of participants</i>	<u>Jun 2012</u>	<u>Dec 2011</u>
Pensioners	15,747	15,727
Employees	9,981	10,046
	<u>25,728</u>	<u>25,773</u>

The balances Projected benefit obligations and Value of the Pension Fund as at 31 December 2011 reflect the effect of the transfer of liabilities and assets of the Fund associated to retirees and pensioners to the Social Security, in the amount of Euros 2,747,408,000. The settlement of 55% of the transfer, in the amount of Euros 1,510,000,000 was performed before 31 December 2011, and the remaining will be settled during the first semester of 2012, the Fund transferred the remaining amount of Euros 1,244,000,000.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Additionally, and considering that IAS 19 – Employee benefits allows for recognition of the actuarial gains and losses directly in Equity, the Group decided to change the accounting policy related to the recognition of the actuarial gains and losses in Other Comprehensive Income. In accordance with IAS 8, this change in accounting policy is presented for comparative purposes since 1 January 2010, recognizing at that date the total amount of the deferred actuarial gains and losses in equity. Therefore and as presented in notes 1 and 58, all the actuarial gains and losses to be deferred were charged against Other Comprehensive Income.

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

	Jun 2012 Euros '000	Dec 2011 Euros '000	Dec 2010 Euros '000	Dec 2009 Euros '000	Dec 2008 Euros '000
<i>Projected benefit obligations</i>					
Pensioners	1,366,878	1,336,421	4,064,052	4,197,436	4,415,254
Employees	1,026,382	1,115,576	1,257,546	1,212,446	1,307,655
	2,393,260	2,451,997	5,321,598	5,409,882	5,722,909
Value of the Pension Fund	(2,220,880)	(2,361,522)	(5,148,707)	(5,530,471)	(5,322,224)
Provisions for defined contributions complementary plan	-	-	-	-	(12,812)
Liabilities not financed by the Pension Fund	172,380	90,475	172,891	(120,589)	387,873
Liabilities covered by the Extra Fund	(280,285)	(349,924)	(369,678)	(375,349)	(390,536)
(Surplus) / Deficit coverage	(107,905)	(259,449)	(196,787)	(495,938)	(2,663)

The balances Projected benefit obligations and Value of the Pension Fund as at 31 December 2011 reflect the effect of the transfer of liabilities and assets of the Fund associated to retirees and pensioners to the Social Security, in the amount of Euros 2,747,408,000.

As at 30 June 2012, the Projected benefit obligations balance includes the amount of Euros 235,470,000 (31 December 2011: Euros 260,289,000) related to the obligations with past services for the Complementary Plan which are fully funded by the Pension Fund.

Following the decision of the Executive Board of Directors dated 21 September 2006, the 'Complementary Pension Plan' which was established in the 'Plano de Pensões do Fundo de Pensões do Grupo Banco Comercial Português' (Defined benefit), started to be funded through a defined contribution. However, the employees hired until the reference date of this decision maintain the benefits that they were entitled to under the previous plan ('Defined Benefit'). This defined benefit is guaranteed by the Group's companies to which they are contractually related at the date of retirement. On this basis, the Group's companies have to assure the annual funding of the Fund, in order to cover the defined benefit, in case of a deficit. The amount is determined in accordance with the actuarial valuation performed each year, and funding will be performed annually.

As referred in notes 10 and 41 and in accordance with accounting policy described in note 1 w), the Group assumed the responsibility to pay retirement complements to employees, if some specific conditions are met each year as defined by the Complementary Plan. The rules defined establish that if the conditions referred above are achieved for a financial year, the Bank should contribute to the Pension Fund the respective amounts for the eligible employees.

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

	Jun 2012			Dec 2011
	Pension benefit obligations Euros '000	Extra-Fund Euros '000	Total Euros '000	Total Euros '000
Balance as at 1 January	2,102,073	349,924	2,451,997	5,321,598
Service cost	(3,577)	573	(3,004)	(5,253)
Interest costs	57,165	9,293	66,458	282,157
Actuarial (gains) and losses				
Not related to changes in actuarial assumptions	(24,826)	(3,542)	(28,368)	38,074
Arising from changes in actuarial assumptions	-	-	-	(317,944)
Arising from the recalculation of the liabilities transferred to the General Social Security Scheme (GSSS)	-	-	-	164,808
Impact resulted from the change of the calculation of the Death Subsidy (Decret-Law no.133/2012)	-	(63,951)	(63,951)	-
Payments	(21,039)	(12,012)	(33,051)	(308,322)
Transfer to the GSSS	(7,143)	-	(7,143)	(2,747,408)
Early retirement programmes	2,668	-	2,668	12,275
Contributions of employees	5,573	-	5,573	11,328
Other charges	2,081	-	2,081	684
Balance at the end of the period	2,112,975	280,285	2,393,260	2,451,997

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 30 June 2012, the balance Impact resulted from the change of the calculation of the Death Subsidy (Decret-Law no.133/2012) amounts to Euros 63,951,000 resulting from the change of method of calculation of the death subsidy, by the publication in 27 June 2012 of the Decree-Law no. 133/2012 which introduces the changes in the calculation of the amount of the subsidy.

In accordance with IAS 19, it is a negative past service cost which occurs when there are changes on the benefit plan, which impacts in a reduction of the current value of the responsibilities for past services. On this basis, the gain should be deferred and amortized through out the average vesting period. Considering that the acquisition conditions of the benefit are fulfilled (vested), since the pensioner has the right to the benefit without having to fulfil any service condition, the Group accounted the referred impact in results for the 6 months period in 30 June 2012.

As at 30 June 2012 the value of the benefits paid by the Pension Fund, excluding the Extra-fund, amounted to Euros 21,039,000 (31 December 2011: Euros 284,574,000). As at 29 June 2012 was transferred the final amount of the pensioners to GSSS in accordance with the Decree-Law no. 127/2011, that due to that change the population increased Euros 7,143,000.

The change in the fair value of the Fund's assets during the first semester of 2012 and the year of 2011 is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Balance as at 1 January	2,361,522	5,148,707
Expected return on plan assets	62,291	263,790
Actuarial gains and (losses)	(183,276)	(315,759)
Contributions to the Fund	871	284,754
Payments	(21,039)	(284,574)
Transfer to the 'GSSS'	(7,143)	(2,747,408)
Contributions of employees	5,573	11,328
Other charges	2,081	684
	<u>2,220,880</u>	<u>2,361,522</u>

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Variable income securities:		
Shares	577,582	1,149,401
Bonds	577,604	622,391
Fixed income securities	26,864	354,189
Properties	353,889	353,698
Investment fund	609,792	800,290
Loans and advances to credit institutions and others	75,149	(918,447)
	<u>2,220,880</u>	<u>2,361,522</u>

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 30 June 2012, amounts to Euros 351,496,000 (31 December 2011: Euros 351,186,000).

The balance Loans and advances to credit institutions and others includes a negative amount of Euros 1,236,872,000 to be transferred to the Social Security which has been deducted from the value of the Fund, as at 31 December 2011.

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

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Fixed income securities	150,445	150,145
Variable income securities	10,395	47,385
	<u>160,840</u>	<u>197,530</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The change in the amounts payable to the Pension Fund related to the obligations during 2012 and 2011 is analysed as follows:

	(Surplus) / Deficit	
	Jun 2012	Dec 2011
	Euros '000	Euros '000
Balance as at 1 January	(259,449)	(196,787)
Service cost	(3,577)	(6,505)
Interest costs	57,165	262,593
Cost with early retirement programs	2,668	12,275
Expected return on plan assets	(62,291)	(263,790)
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Return on Plan assets	183,276	315,759
Difference between the expect and the effective obligations	(24,826)	42,091
Arising from changes in actuarial assumptions	-	(305,139)
Resulting from the transfer under DL 127/2011	-	164,808
Contributions to the Fund	(871)	(284,754)
Balance at the end of the period	<u>(107,905)</u>	<u>(259,449)</u>

The contributions to the Pension Fund, made by the Group's companies, are analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Other securities	871	78,754
Cash	-	206,000
	<u>871</u>	<u>284,754</u>

In accordance with IAS 19, as at 30 June 2012, the Group accounted as post-employment benefits costs the amount of Euros 60,120,000 (30 June 2011: Euros 8,047,000), which is analysed as follows:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Service cost	(3,004)	(2,632)
Interest costs	66,458	142,081
Expected return on plan assets	(62,291)	(133,202)
Costs with early retirement programs	2,668	1,800
Impact of the decrease of the changing of the calculation formula of the Death Subsidy DL 133/2012	(63,951)	-
Cost of the period	<u>(60,120)</u>	<u>8,047</u>

The caption Costs arising from the transfer under Decree-Law no. 127/2011 refers to the impact in the income statement account resulting from the transfer of the liabilities of the retirees and pensioners to the Social Security Scheme. The impact refers to the recalculation of the liabilities based on the assumptions defined by the Portuguese Government within the scope of the transfer.

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 30 June 2012, to the amount of Euros 241,669,000 (31 December 2011: Euros 251,017,000). The estimated value of contributions to the pension plan in 2012 amounts to Euros 51,140,000.

Regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 30 June 2012 amounts to Euros 87,793,000 (31 December 2011: Euros 90,236,000), in order to pay:

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

ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planned that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006. As at 30 June 2012 the number of beneficiaries was 60.

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

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

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

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

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 5,504,000 (31 December 2011: Euros 5,504,000). As referred in notes 9 and 41, the decrease was the result of the write-down of provisions established to cover the future increases in the retirement pensions of the former members of the Executive Board of Directors, following the agreements established between the parties.

As referred in note 9, following the agreements established between the Bank and former members of the Executive Board of Directors the amount of Euros 18,900,000 related with amounts paid to set up a perpetual annuity policy to cover the responsibility with retirement pensions of former members of the Executive Board of Directors, were reimbursed by Ocidental Vida.

The movement of the amounts of the responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities (note 41), is analysed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Balance as at 1 January	5,504	40,996
Write-back	-	(35,492)
Balance at the end of the period	<u>5,504</u>	<u>5,504</u>

Considering the market indicators, particularly the estimations of the inflation rate and the long term interest rate for Euro Zone as well as the demographic characteristics of the employees, the Group considered the following actuarial assumptions for the calculation of the liabilities with pension obligations with reference to 30 June 2012 and 31 December 2011:

	Banco Comercial Português	
	Jun 2012	Dec 2011
Increase in future compensation levels	2.00%	2.00%
Rate of pensions increase	1.00%	1.00%
Projected rate of return of fund assets	5.50%	5.50%
Discount rate	5.50%	5.50%
Mortality tables		
Men	TV 73/77 - 1 year	TV 73/77 - 1 year
Women	TV 88/90 - 2 years	TV 88/90 - 2 years
Disability rate	0.00%	0.00%
Turnover rate	0.00%	0.00%
Costs with health benefits increase rate	6.50%	6.50%

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

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

The projected return rate of the Plan assets was determined according with current market conditions and with the nature and return of the Pension Plan assets.

Net actuarial losses related to the difference between the actuarial assumptions used for the estimation of the pension liabilities and the actual liabilities as well as the impact of the change in the pensions' increase rate, for the year ended 30 June 2012 amounts to Euros 154,908,000 (31 December 2011: actuarial losses of Euros 200,690,000) and are analysed as follows:

	Actuarial (gains) / losses			
	Jun 2012		Dec 2011	
	%	Euros '000	%	Euros '000
Deviation between expected and actual liabilities:				
Increase in future compensation levels	0.30%	(18,908)	0.68%	(22,736)
Pensions increase rate	0.00%	(13,364)	0.00%	(60,961)
Disability	0.00%	-	0.12%	6,357
Others	0.16%	3,904	-0.12%	(6,381)
Changes on the assumptions:				
Discount rate	5.50%	-	5.50%	286,602
Increase in future compensation levels	2.00%	-	2.00%	(80,726)
Pensions increase rate	1.00%	-	1.00%	(237,217)
Return on Plan assets	-4.06%	183,276	-0.71%	315,752
		<u>154,908</u>		<u>200,690</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

For the determination of the liabilities as at 31 December 2011, as a settlement of part of the liabilities occurred, the Group used the implicit rate for each of the populations in the determination of the impacts on the discount rate. The impacts were calculated by splitting the population covered by the plans between active and retired employees / pensioners in order to determine the duration of each sub-populations and thus an implied discount rate.

The caption Actuarial (gains) / losses – Change on the assumptions – Discount rate, includes the amount of Euros 164,808,000 related with the costs arising from the recalculation of the liabilities transferred to the Social Security based on the discount rate defined for the transfer in accordance with the Decree-Law no. 127/2011. This amount, as referred in note 10, was charged against income statement.

Health benefit costs have a significant impact on pension costs. Considering this impact the Group performed a sensitivity analysis assuming one percent positive variation in health benefit costs (from 6.5% to 7.5% in 2011) and a negative variation (from 6.5% to 5.5% in 2011) in health benefit costs, which impact is analysed as follows:

	Positive variation of 1% (6.5% to 7.5%)		Negative variation of 1% (6.5% to 5.5%)	
	Jun 2012	Dec 2011	Jun 2012	Dec 2011
	Euros '000	Euros '000	Euros '000	Euros '000
Pension cost impact	401	401	(401)	(401)
Liability impact	37,180	38,618	(37,180)	(38,618)

The liabilities related to the seniority premium, are not post-employment liabilities and as a result, are not covered by the Pension Fund of the Group. As at 30 June, 2012, the liabilities associated with the seniority premium amounted to Euros 53,180,000 (31 December, 2011: 53,150,000 Euros) and are covered by provisions in the same amount, according to the note 41.

The cost for the period of the seniority premium, for the first semester of 2012 and 2011, is analysed as follows:

	Jun 2012	Jun 2011
	Euros '000	Euros '000
Service cost	1,461	1,595
Interest costs	1,382	1,457
Actuarial gains and losses	143	(1,186)
Cost of the period	2,986	1,866

51. Related parties

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

As at 30 June 2012, loans to members of the Board of Directors and their direct family members amounted to Euros 327,000 (31 December 2011: Euros 340,000), which represented 0.01% of shareholders' equity (31 December 2011: 0.01%). These loans were granted in accordance with the applicable laws and regulations.

As at 30 June 2012, the principal loans and guarantees (excluding interbank and money market transactions) the Group has made to shareholders holding individually or together with their affiliates, 2% or more of the share capital whose holdings, in aggregate, represent 29.4% of the share capital as of 30 June 2012 (31 December 2011: 34.8%), described in the Board of Directors report, amounted to approximately Euros 1,348,893,000 (31 December 2011: Euros 1,274,080,000). Each of these loans was made in the ordinary course of business, on substantially the same terms as those prevailing at the time for comparable transactions with other entities, being respected the legal formalities and regulations.

During the first semester of 2012, the Group sold to the Pension Fund assets in the amount of Euros 594,346,000 (31 December 2011: Euros 1,607,663,000) related to commercial paper and Euros 119,752,000 related to bonds.

Additionally, the Group purchased to the Pension Fund assets in the amount of Euros 164,192,000 (31 December 2011: Euros 219,190,000) related to Commercial paper, Euros 174,678,000 (31 December 2011: Euros 149,565,000) related to bonds and Euros 411,500,000 (31 December 2011: Euros 177,874,000) related to Portuguese public debt securities.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The shareholder and bondholder position of members of the Boards is as follows:

Shareholders / Bondholders	Security	Number of securities at		Changes during 2012			Unit Price Euros
		30/06/2012	31/12/2011	Acquisitions	Disposals	Date	
Members of Executive Board							
António Martins Monteiro	BCP Shares	2,410	2,410				
Carlos José da Silva	BCP Shares	151,438	151,438				
Nuno Manuel da Silva Amado (a)	BCP Shares	200,000	200,000				
António Luis Guerra Nunes Mexia	BCP Shares	1,507	1,507				
António Henriques Pinho Cardão	BCP Shares	102,778	102,778				
José Jacinto Iglésias Soares	BCP Shares	130,743	130,743				
André Magalhães Luiz Gomes (a)	BCP Shares	6,784	6,784				
João Manuel Matos Loureiro	BCP Shares	1,753	1,753				
José Guilherme Xavier de Basto	BCP Shares	1,376	1,376				
	BCP Mill Rend Semestral Março	5	5				
Miguel Maya Dias Pinheiro	BCP Shares	210,000	210,000				
Luis Maria França de Castro Pereira Coutinho	BCP Shares	286,914	286,914				
Rui Manuel da Silva Teixeira	BCP Shares	31,982	31,982				
Spouse and Dependent Children							
Maria Helena Espassandim Catão	BCP Shares	253	253				
Isabel Maria V Leite P Martins Monteiro	BCP Shares	1,854	1,854				
Maria da Graça dos Santos Fernandes de Pinho Cardão	BCP Shares	3,835	3,835				
Maria Emilia Neno R. T. Xavier de Basto	BCP Shares	435	435				

(a) The initial position is related to the securities held at nomination date at 29-02-2012 and not at 31-12-2011. The changes in 2012 refer only to the period between the nomination and 30-06-2012.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 30 June 2012, the Bank's credits over subsidiaries and Millenniumbcp Ageas Group, represented or not by securities, included in the captions of Loans and advances to credit institutions and to customers and Financial assets held for trading and available for sale, are analysed as follows:

	Loans and advances		Financial assets		Total Euros '000
	Credit		Trading Euros '000	Available for sale Euros '000	
	Institutions	Customers			
	Euros '000	Euros '000			
Banco de Investimento Imobiliário, S.A.	7,869,087	-	-	1,166,560	9,035,647
Banque Privée BCP (Suisse) S.A.	100,699	-	-	-	100,699
Millennium bcp Bank & Trust	1,012,822	-	-	-	1,012,822
BCP Finance Bank Ltd	1,193,325	-	13,153	8,660	1,215,138
Banca Millennium S.A (Romania)	150,642	-	-	-	150,642
BCP Finance Company, Ltd	401,437	-	-	-	401,437
Bank Millennium (Poland) Group	16,942	-	-	-	16,942
Millennium Bank (Greece) Group	1,450,665	-	-	-	1,450,665
Banco Millennium Angola, S.A.	54,757	-	-	-	54,757
BCP Holdings (USA), Inc.	-	85,857	-	-	85,857
Millenniumbcp Ageas Group	-	306	-	-	306
Others	-	4,149	6,272	133,576	143,997
	12,250,376	90,312	19,425	1,308,796	13,668,909

As at 30 June 2012 the Bank's credits over associated companies, represented or not by securities, included in the captions of Loans and advances to credit institutions and to customers, and Financial assets held for trading and available for sale amounted to Euros 52,920,000.

As at 30 June 2012 the Bank's liabilities with subsidiaries and Millenniumbcp Ageas Group, represented or not by securities, included in the captions Deposits from credit institutions and from customers, Debt securities issued and in Subordinated debt are analysed as follows:

	Deposits from		Debt Securities Issued Euros '000	Subordinated Debt Euros '000	Total Euros '000
	Credit				
	Institutions	Customers			
	Euros '000	Euros '000			
Banco ActivoBank, S.A.	310,877	-	-	-	310,877
Banco de Investimento Imobiliário, S.A.	952,230	2,504	6,813,880	28,829	7,797,443
Bank Millennium (Poland) Group	6,676	-	-	-	6,676
Banque Privée BCP (Suisse) S.A.	23,222	-	-	-	23,222
Millennium bcp Bank & Trust	1,521,559	-	-	-	1,521,559
BCP Finance Bank Ltd	1,681,860	-	-	887,345	2,569,205
BCP Finance Company, Ltd	-	14,282	-	1,016,965	1,031,247
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	170,072	-	-	170,072
BCP Investment, B.V.	-	18,235	-	-	18,235
BitalPart, B.V.	-	212,276	-	-	212,276
BIM - Banco Internacional de Moçambique, S.A.R.L.	38,605	-	-	-	38,605
Millennium Bank (Greece) Group	120,883	-	-	-	120,883
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	12,225	-	-	12,225
Millennium bcp Imobiliária, S.A.	-	40	-	-	40
Banco Millennium Angola, S.A.	97,393	-	-	-	97,393
Millennium bcp - Prestação de Serviços, A.C.E.	-	21,030	-	-	21,030
BCP Capital - Sociedade de Capital de Risco, S.A.	-	24,925	-	-	24,925
Millenniumbcp Ageas Group	-	612,543	-	-	612,543
Others	1,449	23,676	-	-	25,125
	4,754,754	1,111,808	6,813,880	1,933,139	14,613,581

As at 30 June 2012 the Bank's liabilities with associated companies, represented or not by securities, included in the captions Deposits from credit institutions and to customers, Debt securities issued and in Subordinated debt amounted to Euros 4,452,000.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 30 June 2012, the income recognised by the Bank on inter-company transactions with subsidiaries, included in the captions of Interest income, Commissions, Other operating income and Gains arising from trading activity, are analysed as follows:

	Interest income Euros '000	Commissions income Euros '000	Other operating income Euros '000	Gains arising from trading activity Euros '000	Total Euros '000
Banco ActivoBank, S.A.	49	-	245	-	294
Banca Millennium S.A (Romania)	1,369	-	-	1,646	3,015
Banco de Investimento Imobiliário, S.A.	317,382	1	-	24	317,407
Bank Millennium (Poland) Group	354	8	-	-	362
Banque Privée BCP (Suisse) S.A.	687	421	65	-	1,173
Millennium bcp Bank & Trust	8,858	1,079	-	11,601	21,538
BCP Finance Bank Ltd	11,760	17	-	97,781	109,558
Bitapart, B.V.	19,265	-	-	-	19,265
BIM - Banco Internacional de Moçambique, S.A.	-	18	5,233	-	5,251
Millennium Bank (Greece) Group	19,675	201	-	9,867	29,743
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	2,483	202	-	2,685
Millennium bcp Imobiliária, S.A.	1,426	15	-	-	1,441
BCP Holdings (USA), Inc.	1,511	-	-	-	1,511
Banco Millennium Angola, S.A.	893	90	377	-	1,360
Millennium bcp - Prestação de Serviços, A.C.E.	-	96	5,638	-	5,734
Millenniumbcp Ageas Group	1,575	36,399	1,944	10,827	50,745
Others	5,340	9,386	140	15	14,881
	<u>390,144</u>	<u>50,214</u>	<u>13,844</u>	<u>131,761</u>	<u>585,963</u>

As at 30 June 2012, the costs incurred by the Bank on inter-company transactions with subsidiaries, included in the captions Interest expense, Commissions, Administrative costs and Losses arising from trading activity, are analysed as follows:

	Interest expense Euros '000	Commissions costs Euros '000	Administrative costs Euros '000	Losses arising from trading activity Euros '000	Total Euros '000
Banco ActivoBank, S.A.	1,535	5,080	-	-	6,615
Banca Millennium S.A (Romania)	12	-	-	1,465	1,477
Banco de Investimento Imobiliário, S.A.	304,662	1,152	-	9	305,823
Bank Millennium (Poland) Group	1,119	-	-	9,947	11,066
Banque Privée BCP (Suisse) S.A.	135	-	-	-	135
Millennium bcp Bank & Trust	18,800	-	-	3,727	22,527
BCP Finance Bank Ltd	23,846	-	-	177,499	201,345
BCP Finance Company, Ltd	24,729	-	-	-	24,729
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	2,461	-	-	-	2,461
BCP Investment, B.V.	298	-	-	-	298
BIM - Banco Internacional de Moçambique, S.A.	87	-	-	-	87
Bitapart, B.V.	4,088	-	-	-	4,088
Millennium Bank (Greece) Group	2,410	-	-	4,029	6,439
Banco Millennium Angola, S.A.	1,969	-	-	-	1,969
Millennium bcp - Prestação de Serviços, A.C.E.	15	-	21,630	-	21,645
Millenniumbcp Ageas Group	14,628	-	3,644	9,781	28,053
Others	401	-	6,707	-	7,108
	<u>401,195</u>	<u>6,232</u>	<u>31,981</u>	<u>206,457</u>	<u>645,865</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 30 June 2012, the off balance sheet accounts of the Bank on inter-company transactions with subsidiaries, included in the captions Guarantees granted and Commitments to third parties, are analysed as follows:

	Guarantees granted Euros '000	Commitments to third parties Euros '000	Total Euros '000
Banca Millennium S.A (Romania)	13,722	75,000	88,722
Banco de Investimento Imobiliário, S.A.	-	-	-
Bank Millennium (Poland) Group	1,228	200,000	201,228
Banque Privée BCP (Suisse) S.A.	-	899,536	899,536
Millennium bcp Bank & Trust (*)	104,792	4,211	109,003
BCP Finance Bank Ltd	2,515,727	-	2,515,727
BCP Finance Company, Ltd	171,175	-	171,175
BIM - Banco Internacional de Moçambique, S.A.	3,393	-	3,393
Millennium Bank (Greece) Group	1,850	84,680	86,530
Banco Millennium Angola, S.A.	16,666	-	16,666
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	-	-
Others	118	78,097	78,215
	<u>2,828,671</u>	<u>1,341,524</u>	<u>4,170,195</u>

(*) Guarantees granted by the Bank related to Loans and advances to customers granted by Millennium bcp Bank & Trust.

The inter-company balances and transactions are eliminated on consolidation, as referred in note 1 b).

As at 31 December 2011, the Bank's credits over subsidiaries and Millenniumbcp Ageas Group, represented or not by securities, included in the captions of Loans and advances to credit institutions and to customers and Financial assets held for trading and available for sale, are analysed as follows:

	Loans and advances		Financial assets		Total Euros '000
	Credit		Available		
	Institutions Euros '000	Customers Euros '000	Trading Euros '000	for sale Euros '000	
Banco de Investimento Imobiliário, S.A.	5,033,377	-	-	1,050,720	6,084,097
Banque Privée BCP (Suisse) S.A.	207,734	-	-	-	207,734
Millennium bcp Bank & Trust	1,039,273	-	-	-	1,039,273
BCP Finance Bank Ltd	1,128,531	-	12,249	62,840	1,203,620
Banca Millennium S.A (Romania)	150,032	-	-	-	150,032
Bank Millennium (Poland) Group	16,792	-	67,277	-	84,069
Millennium Bank (Greece) Group	1,901,677	-	-	-	1,901,677
Banco Millennium Angola, S.A.	52,576	-	-	-	52,576
BCP Holdings (USA), Inc.	-	134,167	-	-	134,167
Millenniumbcp Ageas Group	-	221,757	-	-	221,757
Others	148	108,009	4,952	41,620	154,729
	<u>9,931,365</u>	<u>463,933</u>	<u>84,478</u>	<u>1,155,180</u>	<u>11,634,956</u>

As at 31 December 2011, the Bank's credits over associated companies, represented or not by securities, included in the captions of Loans and advances to credit institutions and to customers, and Financial assets held for trading and available for sale, amounted to Euros 50,389,000.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 31 December 2011, the Bank's liabilities with subsidiaries and Millenniumbcp Ageas Group, represented or not by securities, included in the captions Deposits from credit institutions and from customers, Debt securities issued and in Subordinated debt, are analysed as follows:

	Deposits from				
	Credit		Debt	Subordinated	Total
	Institutions	Customers	Securities Issued	Debt	
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Banco ActivoBank, S.A.	284,084	-	-	-	284,084
Banco de Investimento Imobiliário, S.A.	969,659	-	3,881,522	28,873	4,880,054
Bank Millennium (Poland) Group	55,777	-	-	-	55,777
Banque Privée BCP (Suisse) S.A.	48,025	-	-	-	48,025
Millennium bcp Bank & Trust	1,974,693	-	-	-	1,974,693
BCP Finance Bank Ltd	3,014,168	-	-	888,190	3,902,358
BCP Finance Company, Ltd	-	5,020	-	1,020,569	1,025,589
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	150,201	-	-	150,201
BCP Investment, B.V.	-	18,802	-	-	18,802
BitalPart, B.V.	-	217,540	-	-	217,540
BIM - Banco Internacional de Moçambique, S.A.R.L.	37,710	-	-	-	37,710
Millennium Bank (Greece) Group	873,365	-	-	-	873,365
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	12,728	-	-	12,728
Millennium bcp Imobiliária, S.A.	-	3,921	-	-	3,921
Banco Millennium Angola, S.A.	98,675	-	-	-	98,675
Millennium bcp - Prestação de Serviços, A.C.E.	-	24,374	-	-	24,374
BCP Capital - Sociedade de Capital de Risco, S.A.	-	25,006	-	-	25,006
Millenniumbcp Ageas Group	-	995,115	-	-	995,115
Others	472	29,517	-	-	29,989
	<u>7,356,628</u>	<u>1,482,224</u>	<u>3,881,522</u>	<u>1,937,632</u>	<u>14,658,006</u>

As at 31 December 2011, the Bank's liabilities with associated companies, represented or not by securities, included in the captions Deposits from credit institutions and to customers, Debt securities issued and in Subordinated debt, amounted to Euros 17,999,000.

As at 31 December 2011, the income recognised by the Bank on inter-company transactions with subsidiaries, included in the captions of Interest income, Commissions, Other operating income and Gains arising from trading activity, are analysed as follows:

	Interest	Commissions	Other operating	Gains arising	Total
	income	income	income	from trading	
	Euros '000	Euros '000	Euros '000	activity	Euros '000
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Banco ActivoBank, S.A.	-	-	522	-	522
Banca Millennium S.A (Romania)	3,425	-	-	1,182	4,607
Banco de Investimento Imobiliário, S.A.	131,284	-	-	201	131,485
Bank Millennium (Poland) Group	5,423	21	-	6,737	12,181
Banque Privée BCP (Suisse) S.A.	3,912	966	-	-	4,878
Millennium bcp Bank & Trust	26,568	1,048	-	73,896	101,512
BCP Finance Bank Ltd	19,802	-	-	944,886	964,688
BitalPart, B.V.	87	-	-	-	87
BIM - Banco Internacional de Moçambique, S.A.	-	-	9,805	-	9,805
Millennium Bank (Greece) Group	49,936	399	-	21,516	71,851
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	7,263	357	-	7,620
Millennium bcp Imobiliária, S.A.	200	27	-	-	227
BCP Holdings (USA), Inc.	4,359	-	-	-	4,359
Banco Millennium Angola, S.A.	4,110	-	729	-	4,839
Millennium bcp - Prestação de Serviços, A.C.E.	5	46	11,198	-	11,249
Millenniumbcp Ageas Group	2,824	72,665	3,273	-	78,762
Others	7,671	17,901	246	471	26,289
	<u>259,606</u>	<u>100,336</u>	<u>26,130</u>	<u>1,048,889</u>	<u>1,434,961</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 31 December 2011, the costs incurred by the Bank on inter-company transactions with subsidiaries, included in the captions Interest expense, Commissions, Administrative costs and Losses arising from trading activity, are analysed as follows:

	Interest expense Euros '000	Commissions costs Euros '000	Administrative costs Euros '000	Losses arising from trading activity Euros '000	Total Euros '000
Banco ActivoBank, S.A.	3,501	5,726	112	-	9,339
Banca Millennium S.A (Romania)	33	-	-	4,383	4,416
Banco de Investimento Imobiliário, S.A.	92,876	1,638	-	28	94,542
Bank Millennium (Poland) Group	3,661	-	-	21,798	25,459
Banque Privée BCP (Suisse) S.A.	373	-	-	-	373
Millennium bcp Bank & Trust	31,734	-	-	37,799	69,533
BCP Finance Bank Ltd	89,695	-	-	846,133	935,828
BCP Finance Company, Ltd	49,602	-	-	-	49,602
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	2,597	-	-	-	2,597
BCP Investment, B.V.	3,464	-	-	-	3,464
BIM - Banco Internacional de Moçambique, S.A.R.L.	395	-	-	-	395
BIM - Banco Internacional de Moçambique, S.A.	7,835	-	-	-	7,835
Millennium Bank (Greece) Group	16,369	-	-	6,107	22,476
Banco Millennium Angola, S.A.	231	-	-	-	231
Millennium bcp - Prestação de Serviços, A.C.E.	63	-	40,656	-	40,719
Millenniumbcp Ageas Group	-	-	2,453	-	2,453
Others	5,147	-	13,185	288	18,620
	<u>307,576</u>	<u>7,364</u>	<u>56,406</u>	<u>916,536</u>	<u>1,287,882</u>

As at 31 December 2011, the off balance sheet accounts of the Bank on inter-company transactions with subsidiaries, included in the captions Guarantees granted and Commitments to third parties, are analysed as follows:

	Guarantees granted Euros '000	Commitments to third parties Euros '000	Total Euros '000
Banca Millennium S.A (Romania)	11,601	25,000	36,601
Banco de Investimento Imobiliário, S.A.	-	80	80
Bank Millennium (Poland) Group	1,666	200,000	201,666
Banque Privée BCP (Suisse) S.A.	5,700	834,640	840,340
Millennium bcp Bank & Trust (*)	104,792	12,506	117,298
BCP Finance Bank Ltd	3,693,912	-	3,693,912
BCP Finance Company, Ltd	171,175	-	171,175
BIM - Banco Internacional de Moçambique, S.A.R.L.	3,485	-	3,485
Millennium Bank (Greece) Group	-	170,000	170,000
Banco Millennium Angola, S.A.	19,302	-	19,302
Millennium bcp Gestão de Ativos - Sociedade Gestora de Fundos de Investimento, S.A.	172	-	172
Millennium Bank (Greece) Group	-	-	-
Outras	-	78,097	78,097
	<u>4,011,805</u>	<u>1,320,323</u>	<u>5,332,128</u>

(*) Guarantees granted by the Bank related to Loans and advances to customers granted by Millennium bcp Bank & Trust.

The inter-company balances and transactions are eliminated on consolidation, as referred in note 1 b).

52. Segmental reporting

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

Segments description

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

The Retail segment in Portugal includes: (i) the Retail network in Portugal, where the strategic approach is to target "Mass Market" customers, who appreciate a value proposition based on 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 who are young in spirit, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

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

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

The Corporate & Investment Banking segment includes: (i) the Corporate network in Portugal, targeting corporate and institutional customers with an annual turnover in excess of Euro 50 million, providing a complete range of value-added products and services; (ii) the Investment Banking unit, which specialises 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 Asset Management and Private Banking segment, for purposes of the geographical segments, comprises the Private Banking network in Portugal and subsidiary companies specialised in the asset management business in Portugal. In terms of business segments, it also includes the activities of Banque Privée BCP and Millennium bcp Bank & Trust.

The Foreign Business segment, for the purpose of geographical segments, comprises 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 and Millennium bcp Bank & Trust in the Cayman Islands. The Foreign Business segment, in terms of the business segments, comprises the Group operations outside Portugal referred to above, excluding Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands, which are included in the Asset Management and Private Banking 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 focused on retail and based on offering innovative products and high service levels; in Switzerland by Banque Privée BCP, a Private Banking platform 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 as well as public and private institutions; and in the Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high net worth ("Affluent" segment).

Other segment includes the centralised management of shareholdings and the remaining corporate activities and operations that are not included in the business segments, namely the bancassurance activity, a joint-venture with the Belgian-Dutch Group Ageas, and the remaining amounts not allocated to the segments.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Business segments activity

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

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, the weighted risk, as well as the capital allocated to segments, are based on Basel II methodology, with the application in Portugal in 2011 and 2012 of the IRB Advanced method for the Retail portfolio in credit risk and the IRB Foundation method for loans to companies, excluding real estate promoters and entities of the simplified rating system. Additionally, it was 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. The capital allocation for each segment, in the first semester of 2011 and 2012, resulted from the application of 10% to the risks managed by each segment. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

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

Financial flows generated by the business areas, in particular the placement of funds from new deposits and funding of loans granted, are processed at market prices, having the Bank's Treasury as counterparty. These market prices are determined according to the currency, the maturity of the transactions and their repricing periods. Additionally, all financial flows resulting from capital allocation are based on the average 6-month Euribor interest rate for each given period.

Information related to 2011 is presented on a comparable basis with the information reported in 2012, reflecting the current organisational structure of the Group's business areas referred to in the Segment description described above, and considering the effect of the transfer of clients and also the redeployment of cost of funds held under the rationalization of the business platform.

The net contributions of each segment include, where applicable, the non-controlling interests. Thus, the net contribution reflects the individual results achieved by its business units, independent of the percentage held by the Group, including the impact of movements of funds described above. 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 2012.

The Group operates with special emphasis in the Portuguese market, and also in a few affinity markets and in markets of recognised growth potential. Considering this, the geographical segments include Portugal, Poland, Greece, Mozambique, Angola and Other. The segment Portugal reflects, essentially, the activities carried out by Banco Comercial Português in Portugal, ActivoBank and Banco de Investimento Imobiliário. The segment Poland includes the business carried out by Bank Millennium (Poland); the segment Greece contains the activity of Millennium Bank (Greece), while the segment Mozambique contains the activity of BIM - Banco Internacional de Moçambique and the segment Angola contains the activity of Banco Millennium Angola. The segment Other comprises the Group's operations not included in the remaining segments, namely the activities developed in other countries, such as Banque Privée BCP in Switzerland, Banca Millennium in Romania and Millennium bcp Bank & Trust in the Cayman Islands.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 30 June 2012, the net contribution of the major business segments is analysed as follows:

	Commercial Banking			Companies Banking			Asset Management and Private Banking	Other	Consolidated
	Retail in Portugal	Foreign Business	Total	Companies in Portugal	Corporate and Investment Banking in Portugal	Total			
Income statement									
Interest income	448,331	650,473	1,098,804	260,637	412,950	673,587	102,949	46,951	1,922,291
Interest expense	(338,221)	(395,408)	(733,629)	(133,211)	(258,768)	(391,979)	(74,977)	(128,787)	(1,329,372)
Net interest income	110,110	255,065	365,175	127,426	154,182	281,608	27,972	(81,836)	592,919
Commissions and other income	207,270	152,773	360,043	51,277	105,436	156,713	28,222	(40,121)	504,857
Commissions and other costs	(7,453)	(43,511)	(50,964)	(1,599)	(5,358)	(6,957)	(8,033)	(107,554)	(173,508)
Net commissions and other income	199,817	109,262	309,079	49,678	100,078	149,756	20,189	(147,675)	331,349
Net gains arising from trading activity	(1)	73,958	73,957	-	(13,488)	(13,488)	582	264,330	325,381
Staff costs and administrative costs	308,842	259,899	568,741	34,416	37,812	72,228	24,897	(32,683)	633,183
Depreciations	858	20,767	21,625	137	64	201	216	20,156	42,198
Operating costs	309,700	280,666	590,366	34,553	37,876	72,429	25,113	(12,527)	675,381
Impairment and provisions	(24,025)	(111,100)	(135,125)	(170,944)	(255,192)	(426,136)	(14,628)	(519,359)	(1,095,248)
Share of profit of associates under the equity method	-	1,675	1,675	-	(29)	(29)	-	28,597	30,243
Net gain from the sale of other assets	-	-	-	-	-	-	-	(10,711)	(10,711)
Net income before income tax	(23,799)	48,194	24,395	(28,393)	(52,325)	(80,718)	9,002	(454,127)	(501,448)
Income tax	6,713	3,004	9,717	8,248	15,174	23,422	(1,258)	(35,222)	(3,341)
Non-controlling interests	-	(39,736)	(39,736)	-	-	-	-	246	(39,490)
Net income after income tax	(17,086)	11,462	(5,624)	(20,145)	(37,151)	(57,296)	7,744	(489,103)	(544,279)
Income between segments	17,283	-	17,283	(3,020)	(12,027)	(15,047)	(2,236)	-	-
Balance sheet									
Cash and Loans and advances to credit institutions	2,308,584	2,744,989	5,053,573	1,194,864	10,359,817	11,554,681	4,032,195	(12,490,075)	8,150,374
Loans and advances to customers	27,106,810	15,997,550	43,104,360	10,398,140	13,451,409	23,849,549	1,614,021	(2,365,464)	66,202,466
Financial assets	1,778	2,276,699	2,278,477	-	6,323,618	6,323,618	36,069	4,455,416	13,093,580
Other assets	110,075	766,988	877,063	12,449	82,405	94,854	22,217	4,558,635	5,552,769
Total Assets	29,527,247	21,786,226	51,313,473	11,605,453	30,217,249	41,822,702	5,704,502	(5,841,488)	92,999,189
Deposits from other credit institutions	8,230,808	8,463,416	16,694,224	7,553,851	15,579,809	23,133,660	2,871,195	(24,903,284)	17,795,795
Deposits from customers	19,311,902	14,602,603	33,914,505	1,834,134	7,649,780	9,483,914	3,076,013	1,499,822	47,974,254
Debt securities issued	3,189,167	318,057	3,507,224	3,377,061	7,767,508	11,144,569	68,777	-	14,720,570
Other financial liabilities held for trading at fair value through profit or loss	323,947	212,373	536,320	343,032	789,002	1,132,034	40,740	37,528	1,746,622
Other financial liabilities	13,291	409,654	422,945	13,370	30,097	43,467	3,188	4,128,222	4,597,822
Other liabilities	(2,494,665)	(3,866,737)	(6,361,402)	(2,474,518)	(3,485,548)	(5,960,066)	(583,945)	15,123,387	2,217,974
Total Liabilities	28,574,450	20,139,366	48,713,816	10,646,930	28,330,648	38,977,578	5,475,968	(4,114,325)	89,053,037
Equity and non-controlling interests	952,797	1,646,860	2,599,657	958,523	1,886,601	2,845,124	228,534	(1,727,163)	3,946,152
Total Liabilities, Equity and non-controlling interests	29,527,247	21,786,226	51,313,473	11,605,453	30,217,249	41,822,702	5,704,502	(5,841,488)	92,999,189

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 30 June 2011, the net contribution of the major business segments is analysed as follows:

	Commercial Banking			Companies Banking			Asset Management and Private Banking	Other	Consolidated
	Retail in Portugal	Foreign Business	Total	Companies in Portugal	Corporate and Investment Banking in Portugal	Total			
Income statement									
Interest income	482,846	619,565	1,102,411	264,744	313,410	578,154	83,573	174,539	1,938,677
Interest expense	(375,431)	(330,137)	(705,568)	(147,050)	(183,795)	(330,845)	(62,820)	(31,735)	(1,130,968)
Net interest income	107,415	289,428	396,843	117,694	129,615	247,309	20,753	142,804	807,709
Commissions and other income	213,918	147,697	361,615	50,334	92,891	143,225	33,908	(308)	538,440
Commissions and other costs	(8,515)	(39,241)	(47,756)	(1,563)	(1,496)	(3,059)	(9,158)	(61,592)	(121,565)
Net commissions and other income	205,403	108,456	313,859	48,771	91,395	140,166	24,750	(61,900)	416,875
Net gains arising from trading activity	31	50,059	50,090	-	(2,894)	(2,894)	(1,032)	(21,664)	24,500
Staff costs and administrative costs	318,690	256,948	575,638	31,446	37,923	69,369	25,586	(5,361)	665,232
Depreciations	868	22,913	23,781	127	64	191	172	23,801	47,945
Operating costs	319,558	279,861	599,419	31,573	37,987	69,560	25,758	18,440	713,177
Impairment and provisions	(77,221)	(68,567)	(145,788)	(141,996)	(246,896)	(388,892)	(14,045)	(21,081)	(569,806)
Share of profit of associates under the equity method	-	-	-	-	(21)	(21)	-	24,082	24,061
Net gain from the sale of other assets	-	-	-	-	-	-	-	(4,447)	(4,447)
Net income before income tax	(83,930)	99,515	15,585	(7,104)	(66,788)	(73,892)	4,668	39,354	(14,285)
Income tax	24,157	(15,651)	8,506	2,090	19,369	21,459	364	138,459	168,788
Non-controlling interests	-	(37,562)	(37,562)	-	-	-	-	(2,679)	(40,241)
Net income after income tax	(59,773)	46,302	(13,471)	(5,014)	(47,419)	(52,433)	5,032	175,134	114,262
Income between segments	17,274	-	17,274	8,484	(25,744)	(17,260)	(14)	-	-
Balance sheet									
Cash and Loans and advances to credit institutions	3,110,636	3,002,275	6,112,911	2,599,518	6,914,300	9,513,818	4,092,528	(14,369,265)	5,349,992
Loans and advances to customers	29,514,932	16,096,703	45,611,635	11,845,614	13,437,870	25,283,484	2,069,923	743,942	73,708,984
Financial assets	1,249	2,377,115	2,378,364	-	5,046,938	5,046,938	24,184	6,726,246	14,175,732
Other assets	584,620	565,291	1,149,911	40,359	94,169	134,528	80,573	3,683,850	5,048,862
Total Assets	33,211,437	22,041,384	55,252,821	14,485,491	25,493,277	39,978,768	6,267,208	(3,215,227)	98,283,570
Deposits from other credit institutions	6,052,307	4,664,166	10,716,473	5,264,540	8,662,890	13,927,430	2,908,166	(6,892,583)	20,659,486
Deposits from customers	18,611,519	14,142,301	32,753,820	2,107,801	8,053,865	10,161,666	3,076,138	1,737,207	47,728,831
Debt securities issued	5,110,175	699,697	5,809,872	4,475,634	4,784,672	9,260,306	-	-	15,070,178
Other financial liabilities held for trading at fair value through profit or loss	1,683,280	287,622	1,970,902	1,474,264	1,576,061	3,050,325	21,671	(218,556)	4,824,342
Other financial liabilities	91,959	546,657	638,616	67,057	83,372	150,429	14,699	1,093,300	1,897,044
Other liabilities	204,342	369,943	574,285	33,119	773,003	806,122	13,499	971,217	2,365,123
Total Liabilities	31,753,582	20,710,386	52,463,968	13,422,415	23,933,863	37,356,278	6,034,173	(3,309,415)	92,545,004
Equity and non-controlling interests	1,457,855	1,330,998	2,788,853	1,063,076	1,559,414	2,622,490	233,035	94,188	5,738,566
Total Liabilities, Equity and non-controlling interests	33,211,437	22,041,384	55,252,821	14,485,491	25,493,277	39,978,768	6,267,208	(3,215,227)	98,283,570

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 30 June 2012, the net contribution of the major geographic segments is analysed as follows:

	Portugal											Consolidated
	Retail Banking	Companies	Asset Management and Private Banking	Corporate and Investment Banking	Other	Total	Poland	Greece	Angola	Mozambique	Other	
Income statement												
Interest income	448,331	260,637	68,837	412,950	46,951	1,237,706	361,557	113,431	49,335	109,660	50,602	1,922,291
Interest expense	(338,221)	(133,211)	(49,641)	(258,768)	(128,787)	(908,628)	(226,770)	(103,783)	(15,664)	(38,881)	(35,646)	(1,329,372)
Net interest income	110,110	127,426	19,196	154,182	(81,836)	329,078	134,787	9,648	33,671	70,779	14,956	592,919
Commissions and other income	207,270	51,277	17,988	105,436	(40,121)	341,850	86,019	16,280	12,139	35,112	13,457	504,857
Commissions and other costs	(7,453)	(1,599)	(4,765)	(5,358)	(107,554)	(126,729)	(21,357)	(7,690)	(1,351)	(12,243)	(4,138)	(173,508)
Net commissions and other income	199,817	49,678	13,223	100,078	(147,675)	215,121	64,662	8,590	10,788	22,869	9,319	331,349
Net gains arising from trading activity	(1)	-	-	(13,488)	264,330	250,841	18,612	22,616	15,011	16,279	2,022	325,381
Staff costs and administrative costs	308,842	34,416	13,978	37,812	(32,683)	362,365	124,402	45,403	31,268	43,425	26,320	633,183
Depreciations	858	137	2	64	20,156	21,217	6,667	3,845	4,575	4,344	1,550	42,198
Operating costs	309,700	34,553	13,980	37,876	(12,527)	383,582	131,069	49,248	35,843	47,769	27,870	675,381
Impairment and provisions	(24,025)	(170,944)	(14,848)	(255,192)	(519,359)	(984,368)	(26,482)	(71,697)	(3,675)	(7,893)	(1,133)	(1,095,248)
Share of profit of associates under the equity method	-	-	-	(29)	28,597	28,568	826	-	-	849	-	30,243
Net gain from the sale of other assets	-	-	-	-	(10,711)	(10,711)	-	-	-	-	-	(10,711)
Net income before income tax	(23,799)	(28,393)	3,591	(52,325)	(454,127)	(555,053)	61,336	(80,091)	19,952	55,114	(2,706)	(501,448)
Income tax	6,713	8,248	(925)	15,174	(35,222)	(6,012)	(12,881)	27,652	(3,247)	(9,683)	830	(3,341)
Non-controlling interests	-	-	-	-	246	246	(16,712)	-	(7,895)	(15,129)	-	(39,490)
Net income after income tax	(17,086)	(20,145)	2,666	(37,151)	(489,103)	(560,819)	31,743	(52,439)	8,810	30,302	(1,876)	(544,279)
Income between segments	17,283	(3,020)	(2,236)	(12,027)	-	-	-	-	-	-	-	-
Balance sheet												
Cash and Loans and advances to credit institutions	2,308,584	1,194,865	1,239,244	10,359,817	(12,490,074)	2,612,436	967,981	893,729	386,529	410,361	2,879,338	8,150,374
Loans and advances to customers	27,106,810	10,398,140	1,098,878	13,451,409	(2,365,464)	49,689,773	9,627,956	4,529,910	505,891	958,554	890,382	66,202,466
Financial assets	1,778	-	1,674	6,323,618	4,455,416	10,782,486	1,300,126	175,906	369,583	362,569	102,910	13,093,580
Other assets	110,075	12,449	5,608	82,405	4,558,635	4,769,172	199,033	225,539	167,119	144,686	47,220	5,552,769
Total Assets	29,527,247	11,605,454	2,345,404	30,217,249	(5,841,487)	67,853,867	12,095,096	5,825,084	1,429,122	1,876,170	3,919,850	92,999,189
Deposits from other credit institutions	8,230,808	7,553,851	374,733	15,579,809	(24,903,284)	6,835,917	2,853,328	4,071,988	682,777	549,873	2,801,912	17,795,795
Deposits from customers	19,311,902	1,834,134	1,993,021	7,649,780	1,499,822	32,288,659	9,435,288	2,622,045	871,699	1,374,555	1,382,008	47,974,254
Debt securities issued	3,189,167	3,377,061	68,777	7,767,508	-	14,402,513	158,935	129,872	-	29,250	-	14,720,570
Other financial liabilities held for trading at fair value through profit or loss	323,947	343,032	6,986	789,002	37,529	1,500,496	115,749	94,845	-	-	35,532	1,746,622
Other financial liabilities	13,291	13,370	894	30,097	4,128,222	4,185,874	389,329	12,096	1,485	1,930	7,108	4,597,822
Other liabilities	(2,494,665)	(2,474,517)	(163,113)	(3,485,548)	15,123,387	6,505,544	(1,492,513)	(1,839,233)	(233,333)	(217,816)	(504,675)	2,217,974
Total Liabilities	28,574,450	10,646,931	2,281,298	28,330,648	(4,114,324)	65,719,003	11,460,116	5,091,613	1,322,628	1,737,792	3,721,885	89,053,037
Equity and non-controlling interests	952,797	958,523	64,106	1,886,601	(1,727,163)	2,134,864	634,980	733,471	106,494	138,378	197,965	3,946,152
Total Liabilities, Equity and non-controlling interests	29,527,247	11,605,454	2,345,404	30,217,249	(5,841,487)	67,853,867	12,095,096	5,825,084	1,429,122	1,876,170	3,919,850	92,999,189

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 30 June 2011, the net contribution of the major geographic segments is analysed as follows:

	Portugal											Mozam- bique	Other	Consoli- dated
	Retail Banking	Companies	Asset Ma- nagement and Private Banking	Corporate and Investment Banking	Other	Total	Poland	Greece	Angola	Other	Total			
Income statement														
Interest income	482,846	264,744	47,477	313,410	174,539	1,283,016	321,255	145,053	45,311	88,164	55,878	1,938,677		
Interest expense	(375,431)	(147,050)	(31,881)	(183,795)	(31,735)	(769,892)	(190,391)	(90,374)	(15,186)	(23,917)	(41,208)	(1,130,968)		
Net interest income	107,415	117,694	15,596	129,615	142,804	513,124	130,864	54,679	30,125	64,247	14,670	807,709		
Commissions and other income	213,918	50,334	22,080	92,891	(308)	378,915	90,201	16,249	9,089	29,035	14,951	538,440		
Commissions and other costs	(8,515)	(1,563)	(6,675)	(1,496)	(61,592)	(79,841)	(19,813)	(6,795)	(992)	(10,547)	(3,577)	(121,565)		
Net commissions and other income	205,403	48,771	15,405	91,395	(61,900)	299,074	70,388	9,454	8,097	18,488	11,374	416,875		
Net gains arising from trading activity	31	-	(5)	(2,894)	(21,664)	(24,532)	20,975	5,739	13,107	7,828	1,383	24,500		
Staff costs and administrative costs	318,690	31,446	15,583	37,923	(5,361)	398,281	129,853	53,391	24,609	31,255	27,843	665,232		
Depreciations	868	127	2	64	23,801	24,862	8,628	5,013	3,122	3,318	3,002	47,945		
Operating costs	319,558	31,573	15,585	37,987	18,440	423,143	138,481	58,404	27,731	34,573	30,845	713,177		
Impairment and provisions	(77,221)	(141,996)	(21,148)	(246,896)	(21,081)	(508,342)	(20,336)	(29,138)	(7,391)	(5,788)	1,189	(569,806)		
Share of profit of associates under the equity method	-	-	-	(21)	24,082	24,061	-	-	-	-	-	24,061		
Net gain from the sale of other assets	-	-	-	-	(4,447)	(4,447)	-	-	-	-	-	(4,447)		
Net income before income tax	(83,930)	(7,104)	(5,737)	(66,788)	39,354	(124,205)	63,410	(17,670)	16,207	50,202	(2,229)	(14,285)		
Income tax	24,157	2,090	1,672	19,369	138,459	185,747	(13,999)	7,218	(1,742)	(9,112)	676	168,788		
Non-controlling interests	-	-	-	-	(2,679)	(2,679)	(17,042)	-	(6,837)	(13,683)	-	(40,241)		
Net income after income tax	(59,773)	(5,014)	(4,065)	(47,419)	175,134	58,863	32,369	(10,452)	7,628	27,407	(1,553)	114,262		
Income between segments	17,274	8,484	(14)	(25,744)	-	-	-	-	-	-	-	-		
Balance sheet														
Cash and Loans and advances to credit institutions	3,110,636	2,599,518	719,627	6,914,300	(14,369,265)	(1,025,184)	1,015,574	1,354,484	269,664	300,902	3,434,552	5,349,992		
Loans and advances to customers	29,514,932	11,845,614	1,260,036	13,437,870	743,942	56,802,394	9,609,299	4,878,736	441,210	855,736	1,121,609	73,708,984		
Financial assets	1,249	-	1,621	5,046,938	6,726,246	11,776,054	1,276,417	446,700	358,826	181,205	136,530	14,175,732		
Other assets	584,620	40,359	17,064	94,169	3,683,850	4,420,062	200,510	148,697	83,150	102,922	93,521	5,048,862		
Total Assets	33,211,437	14,485,491	1,998,348	25,493,277	(3,215,227)	71,973,326	12,101,800	6,828,617	1,152,850	1,440,765	4,786,212	98,283,570		
Deposits from other credit institutions	6,052,307	5,264,540	68,127	8,662,890	(6,892,583)	13,155,281	1,085,850	2,974,906	294,441	80,738	3,068,270	20,659,486		
Deposits from customers	18,611,519	2,107,801	1,836,844	8,053,865	1,737,207	32,347,236	9,338,377	2,788,666	698,897	1,067,966	1,487,689	47,728,831		
Debt securities issued	5,110,175	4,475,634	-	4,784,672	-	14,370,481	234,579	439,552	-	25,566	-	15,070,178		
Other financial liabilities held for trading at fair value through profit or loss	1,683,280	1,474,264	-	1,576,061	(218,556)	4,515,049	144,584	140,155	-	-	24,554	4,824,342		
Other financial liabilities	91,959	67,057	4,996	83,372	1,093,300	1,340,684	493,343	35,613	6,577	9,133	11,694	1,897,044		
Other liabilities	204,342	33,119	9,177	773,003	971,217	1,990,858	165,563	38,834	48,673	112,571	8,624	2,365,123		
Total Liabilities	31,753,582	13,422,415	1,919,144	23,933,863	(3,309,415)	67,719,589	11,462,296	6,417,726	1,048,588	1,295,974	4,600,831	92,545,004		
Equity and non-controlling interests	1,457,855	1,063,076	79,204	1,559,414	94,188	4,253,737	639,504	410,891	104,262	144,791	185,381	5,738,566		
Total Liabilities, Equity and non-controlling interests	33,211,437	14,485,491	1,998,348	25,493,277	(3,215,227)	71,973,326	12,101,800	6,828,617	1,152,850	1,440,765	4,786,212	98,283,570		

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Reconciliation of net income of reportable segments with the net result of the Group

Description of the relevant items of reconciliation:

	Jun 2012 Euros '000	Jun 2011 Euros '000
Net income (*)		
Retail Banking in Portugal	(17,086)	(59,773)
Companies	(20,145)	(5,014)
Corporate and Investment Banking	(37,151)	(47,419)
Asset Management and Private Banking	2,666	(4,065)
Foreign Business	56,276	92,961
	<u>(15,440)</u>	<u>(23,310)</u>
Impact on the Net interest income of the allocation of capital (1)	5,799	9,097
	<u>(21,239)</u>	<u>(32,407)</u>
Amounts not allocated to segments		
Non-controlling interests (2)	(39,490)	(40,241)
Operating expenses (3)	12,528	(18,440)
Loan impairment and other provisions (4)	(519,358)	(21,082)
Equity accounted earnings	28,597	24,082
Own Credit Risk	(21,599)	44,319
Impact on margin of the repurchase operations of liability management	(96,000)	-
Repurchase of own issues (liability management)	184,300	-
Cost of debt issue with Stat Guarantee	(33,388)	-
Impact of hedging of investments	(22,851)	5,697
Provisions related with Pension Fund (ex-CAE)	-	35,500
Diferred tax assets regarding the restrutution process of investments portfolio of the Group	-	132,500
Others (5)	(15,779)	(15,666)
	<u>(523,040)</u>	<u>146,669</u>
Total not allocated to segments	<u>(523,040)</u>	<u>146,669</u>
Consolidated net income	<u>(544,279)</u>	<u>114,262</u>

(*) The net income is not deducted, when applicable, from non-controlling interests.

(1) Represents the impact on net interest income due to allocation of capital. The balance sheet items of each subsidiary and each business unit are recalculated considering the replacement of accounting equity by the amounts assigned through the allocation within the strict fulfilment of solvency regulatory criteria.

(2) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, in Mozambique and in Angola.

(3) Includes difference in costs allocated to the segments, namely those connected with corporate areas and strategic projects.

(4) Includes provisions for property in kind, administrative infractions, various contingencies and other unallocated to commercial networks. The value of 2012 of Euros 450,000,000 (before taxes) is related to impairment for estimate losses.

(5) Includes funding for non interest bearing assets and the financial strategies as well as tax effect associated with the items previously discriminated.

53. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally coordinating with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

Monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the Group's business is subject are of particular importance.

Main Types of Risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Operational – Operational risk is understood to be the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal Organisation

The Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of economic capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at the level both of the Group and of each entity. At the proposal of the Banco Comercial Português Executive Committee, the Board of Directors also approves the risk-tolerance level acceptable to the Group.

The Risk Commission is responsible for monitoring the overall levels of risk incurred, ensuring that they are compatible with the objectives and strategies approved for the business.

The Group Risk Officer is responsible for the control of risks in all the Group entities, in order to ensure that the risks are monitored on an overall basis and that there is alignment of concepts, practices and objectives. It must also keep the Risk Commission informed of the Group's level of risk, proposing measures to improve control and implementing the approved limits.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Commission and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent in their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Group Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems of monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention of money laundering, combating financing of terrorism, prevention of conflict of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk Evaluation and Management Model

For purposes of profitability analysis and risk quantification and control, each entity is divided into the following management areas:

- Trading: involves those positions whose objective is to obtain short-term gains through sale or revaluation. These positions are actively managed, are tradable without restriction and may be valued frequently and precisely, including the securities, the derivatives and the sales activities;
- Financing: involves the Bank's institutional financing and money market activity of the Group;
- Investment: includes those positions in securities to be held to maturity or during a longer period of time or those that are not tradable on liquid markets;
- Commercial: commercial activity with customers;
- ALM: is the function of managing assets and liabilities;
- Structural: deals with balance sheet elements or operations that, because of their nature, are not directly related with any of the other areas.

The definition of the management areas allows effective separation of the management of the trading and banking portfolios, as well a proper allocation of each operation to the area most appropriate management according to their context.

Risk assessment

Credit Risk

Credit granting is based on prior classification of the customers' risk and on thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers showing worsening credit capacity and, in particular, those classified as being in default in keeping with the Basel II Accord.

All the rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale.

The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to more active collateralization of loans and more adequate pricing of the risk incurred.

To quantify the credit risk at the level of the various portfolios, the Group has developed a model based on an actuarial approach, which provides the distribution of total loss probability. In addition to the Probability of Default (PD) and of the Amount of the Loss Given Default (LGD) as the central points, consideration is also given to the uncertainty associated with the development of these parameters, through the introduction of the respective volatility. The effects of diversification and/or concentration between the sectors of the loan portfolios are quantified by introducing the respective correlations.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The gross Group's exposure to credit risk (original exposure), as at 30 June 2012 and 31 December 2011 is presented in the following table:

Risk items	Original exposure	
	Jun 2012	Dec 2012
	Euros '000	Euros '000
Central Governments or Central Banks	11,329,261	9,367,993
Regional Governments or Local Authorities	675,915	709,175
Administrative and non-profit Organisations	167,987	110,984
Multilateral Development Banks	87,497	88,213
Other Credit Institutions	7,747,806	8,187,435
Retail and Corporate customers	86,618,866	89,172,371
Other items	8,444,596	9,979,387
	<u>115,071,928</u>	<u>117,615,558</u>

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

The following table includes the European countries that have been under particular attention in this period, such as Portugal, Greece, Ireland, Spain, Italy and Hungary. The amount represents the gross exposure (nominal value), as at 30 June 2012, of the credit granted to entities whose country is one of those identified.

Counterparty type	Maturity	30 June 2012					
		Euros '000					
		Country					
		Spain	Greece	Hungary	Ireland	Italy	Portugal
Financial Institutions	2012	549,599	60,000	777	950,014	62,520	852,176
	2013	6,537	28,018	-	25,000	-	279,783
	2014	50,000	10	-	15,000	23,000	199,743
	>2014	80,000	90,295	-	-	-	346,060
			<u>686,136</u>	<u>178,323</u>	<u>777</u>	<u>990,014</u>	<u>85,520</u>
Companies	2012	15,950	285,889	-	8,663	150	6,971,259
	2013	27,414	49,044	-	-	-	1,325,360
	2014	-	107,081	-	-	-	1,349,675
	>2014	348,658	1,259,622	-	-	-	7,052,861
			<u>392,022</u>	<u>1,701,636</u>	<u>-</u>	<u>8,663</u>	<u>150</u>
Retail	2012	25,769	79,378	10	63	77	2,979,631
	2013	236	43,395	1	25	57	894,761
	2014	334	47,980	4	94	21	719,778
	>2014	35,698	1,895,986	71	56,826	6,332	25,265,051
			<u>62,037</u>	<u>2,066,739</u>	<u>86</u>	<u>57,008</u>	<u>6,487</u>
State and other public entities	2012	-	48,683	-	-	-	3,931,889
	2013	-	1,797	-	-	-	2,418,844
	2014	-	268	-	200,000	-	143,096
	>2014	-	62,505	-	-	50,000	2,016,395
			<u>-</u>	<u>113,253</u>	<u>-</u>	<u>200,000</u>	<u>50,000</u>
Total country		<u>1,140,195</u>	<u>4,059,951</u>	<u>863</u>	<u>1,255,685</u>	<u>142,157</u>	<u>56,746,362</u>

The balance Financial Institutions includes applications in other credit institutions. The amounts do not include interest and are not deducted from the values of impairment.

The balance Companies includes the amounts of credit granted to the companies segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance Retail includes the amounts of credit granted to the retail segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance State and other public entities includes the amounts related to sovereign debt, credit to governmental institutions, public companies, governments and municipalities, and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Market Risks

The Group in monitoring and control of market risk existing in the diverse portfolios uses an integrated risk measure that includes the main types of market risk identified by the Group: generic risk, specific risk, non linear risk and commodities risk.

The measure used in evaluating the generic market risk is the VaR (Value at Risk). The VaR is calculated on the basis of the analysis approximation defined in the methodology developed by the RiskMetrics. It is calculated considering a 10-working day time horizon and an unilateral statistical confidence interval of 99%. In calculating the volatility associated with each risk vector, the model assumes a greater weighting for the market conditions seen in the more recent days, thus ensuring more accurate adjustment to market conditions.

A specific risk evaluation model is also applied to securities (bonds, shares, certificates, etc) and associated derivatives for which the performance is related to its value. With the necessary adjustments, this model follows regulatory standard methodology.

Complementary measures for the non-linear risk, at a confidence level of 99%, and a standard measure for the commodities risk are also used.

These measures were included in the indicator of market risk with the conservative assumption of perfect correlation between the various types of risk (the worst-case scenario).

Capital at risk values are determined both on an individual basis for each one of the position portfolios of those areas having responsibilities in risk taking and management, as well as in consolidated terms taking into account the effects of diversification between the various portfolios.

To ensure that the VaR model adopted is appropriate to the evaluation of the risks involved in the positions that have been assumed, a back testing process has been instituted. This is carried out on a daily basis and it confronts the VaR indicators with the actual results.

The following table shows these major trading book indicators for the first semester of 2012:

	Euros '000				
	2012.06.30	Average	Maximum	Minimum	2011.12.31
Generic Risk (VaR)	2,491	4,060	12,197	1,521	5,023
Interest Rate Risk	1,815	3,789	12,098	1,852	5,051
FX Risk	803	1,216	1,244	1,083	1,761
Equity Risk	592	461	480	463	664
<i>Diversification effects</i>	<i>720</i>	<i>1,406</i>	<i>1,624</i>	<i>1,877</i>	<i>2,453</i>
Specific Risk	594	785	1,355	567	1,298
Non Linear Risk	11	142	723	7	380
Commodities Risk	16	11	18	2	4
Global Risk	3,111	4,998	13,228	2,171	6,705

Evaluation of the interest rate risk originated by the banking portfolio is performed by a risk sensitivity analysis process carried out every month for all operations included in the Group's consolidated balance sheet.

For this analysis are considered the financial characteristics of the contracts available in information systems. Based on these data, a projection for expected cash flows is made, according to the repricing dates and any prepayment assumptions considered.

Aggregation of the expected cash flows for each time interval for each of the currencies under analysis allows determination of the interest rate gaps per repricing period.

The interest rate sensitivity of the balance sheet in each currency is calculated through the difference between the present value of the interest rate mismatch after discounting the market interest rates and the discounted value of the same cash flows by simulating parallel shifts of the market interest rates.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The following table shows the expected impact on the banking books economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, on each of the main currencies:

		30 June 2012		Euros '000	
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp	
CHF	793	610	1,731	3,512	
EUR	(54,071)	(114,673)	114,205	228,705	
PLN	18,996	9,279	(8,867)	(17,348)	
USD	1,115	(517)	652	1,605	
TOTAL	(33,167)	(105,301)	107,721	216,474	

		31 December 2011		Euros '000	
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp	
CHF	(2,281)	(3,002)	4,555	9,120	
EUR	197,200	85,867	(71,811)	(134,034)	
PLN	26,883	13,143	(12,584)	(24,645)	
USD	(1,438)	184	4,293	6,792	
TOTAL	217,166	84,074	(66,271)	(120,054)	

The Group regularly undertakes hedging operations on the market aiming to reduce the interest rate mismatch of the risk positions associated with the portfolio of transactions of the commercial and structural areas.

Liquidity risk

Evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The evolution of the Group's liquidity situation for short-term time horizons (up to 3 months) is reviewed daily on the basis of two indicators defined in-house, immediate liquidity and quarterly liquidity. These measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding to the liquidity position of the day under analysis the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the transactions as a whole brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, for their dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered highly liquid is added to the calculated value, leading to determination of the liquidity gap accumulated for each day of the period under review.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risks Commission is responsible for controlling the liquidity risk.

This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries, fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

In this conjuncture, and given the continued prudent management of liquidity by the Group during the course of this whole situation, has been reinforced the role of buffer provided by the liquidity asset portfolio discountable with the ECB (or other Central Banks), despite the effect of loss of eligibility of part of the portfolio and devaluation of the remaining. In this line the portfolio of discountable assets to the ECB decreased Euros 2,334,836,000 during the first semester of 2012 ending with a value of Euros 18,009,404,000.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

The eligible pool of assets for funding operations in the European Central Bank and other Central Banks in Europe, net of haircuts, is detailed as follows:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
European Central Bank	18,009,404	15,674,568
Other Central Banks	1,457,563	784,665
	<u>19,466,967</u>	<u>16,459,233</u>

As at 30 June 2012, the amount discounted in the European Central Bank and Other Central Banks amounted to Euros 11,294,000,000 and Euros 0 respectively (31 December 2012: Euros 12,706,000,000 and Euros 0).

The amount of eligible assets for funding operations in the European Central Banks includes securities issued by SPE concerning securitization operations in which the assets were not derecognised at a consolidated level, therefore the respective securities are not recognised in the securities portfolio.

The evolution of the Pool Monetary Policy of the ECB and the corresponding collaterals used is analysed as follows:

	Euros '000				
	Jun 12	Dec 11	Sep 11	Jun 11	Mar 11
Collateral total after haircuts	18,009,404	15,674,568	17,423,213	19,501,173	16,975,271
Collateral used	11,294,000	12,706,000	15,270,000	15,030,000	14,700,000
Collateral available after haircuts	<u>6,715,404</u>	<u>2,968,568</u>	<u>2,153,213</u>	<u>4,471,173</u>	<u>2,275,271</u>

Operational Risk

The approach to operational risk management is based on the business and support end-to-end processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for evaluation of the risks and for strengthening the performance within the scope of their processes. The Process Owners are responsible for keeping up to date all the relevant documentation concerning the processes, for ensuring the real adequacy of all the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risk self-assessment exercises, and for detecting and implementing improvement opportunities, including mitigating measures for the more significant exposures.

In the operational risk model implemented in the Group, there is a systematic process of gathering information on operational losses, that defines on a systematic form, the causes and the effects associated to an eventual detected loss. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of loans.

Considering that relevant impacts occurred with previous downgrades, reductions in the Bank's rating notations during 2012 had no significant additional implications with respect to the covenants included in the existing securitization transactions.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of the Bank.

54. Solvency

Following the request submitted by the Group, the Bank of Portugal formally authorised the adoption of methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the activity in Portugal as from 31 December 2010. In the scope of the Roll-Out Plan for the calculation of the capital requirements for credit and counterparty risk under IRB approaches and following the request submitted by the Bank, the Bank of Portugal formally authorized the extension of this methodology to the subclasses of risk "Renewable Retail Positions" and "Other Retail Positions" in Portugal with effect as from 31 December 2011. In the 1st half of 2009, the Bank received authorization from the Bank of Portugal to adopt the advanced approaches (internal models) to the generic market risk and the standard method for the operational risk.

Consolidated own funds of Banco Comercial Português are determined according to the applicable regulatory rules, namely the Regulation n°6/2010 from the Bank of Portugal. The own funds result from adding tier 1 with tier 2 and subtracting the component of Deductions. For the calculation of tier 1 are considered the core tier 1 elements, established in the Regulation n°3/2011, and other relevant elements to the discharge of tier 1. The tier 1 and, in particular, core tier 1, comprises the steadiest components of the own funds.

As core tier 1 positive elements, the paid-up capital and the share premium, hybrid instruments eligible for this line item, fully subscribed by the Portuguese State in the scope of the Bank's capitalisation process, the reserves and the retained earnings, non-controlling interests in fully consolidated subsidiaries and the deferred impacts related to the transition adjustments to the International Financial Reporting Standards, are considered. Net losses, own shares, the shortfall of impairment to the regulatory provisions of the Regulation n°3/95 from the Bank of Portugal, calculated on an individual basis for exposures treated by the standardised approach, goodwill and other intangible assets correspond to negative elements.

At the end of the 2011 the Bank decided for a change in the accounting policy related to the recognition of actuarial gains and losses of the Pension Fund. Accordingly, and following an analysis of the options permitted by the International Accounting Standard (IAS) 19 - Employee benefits, the Group decided to recognize the actuarial gains and losses against reserves. Previously, the Group used to defer actuarial gains and losses according to the corridor method, in which the unrecognised actuarial gains and losses that exceed 10% of the largest among between the current value of the liabilities and the fair value of the assets were recognised against the income statement according to the estimated remaining useful life of active employees.

Despite this change in accounting policy, the Bank of Portugal, for prudential purposes, allowed to continue to be used a corridor, corresponding to the higher value between i) 10% of liabilities from retirement and other pensions benefits, and ii) 10% of the value of the Pension Fund, as defined in the Regulation n°2/2012 from the Bank of Portugal.

Core tier 1 can also be influenced by the replacement of unrealised gains and losses which do not represent impairment on debt securities, loans and other receivables recorded in the available-for-sale portfolio, on cash-flow hedge transactions and on financial liabilities at fair value through profits and losses, net of taxes, to the extent related to own credit risk, as well as by the reversal of unrealised gains on equity securities classified as available-for-sale and loans and other receivables from the trading portfolio or measured at fair value through profits and losses.

Since the second half of 2011, the Bank of Portugal established new rules which have influenced the core tier 1 of the Group:

- In November 2011, the Bank of Portugal issued a clarification regarding the Regulation n° 6/2010, determining a deduction to core tier 1 related to customers deposits with yields above a certain threshold (Instruction n°28/2011 from the Bank of Portugal).

- The Bank of Portugal has allowed the prudential neutralization, as from December 2011 and until June 2012, of the impacts related to the transfer of part of pension liabilities to the General Social Security Scheme and the Special Inspection Programme, carried out under the program of financial assistance to Portugal (Regulation n°1/2012 from the Bank of Portugal).

- In June 2012, the Bank issue Euros 3,000 millions of core tier 1 capital instruments subscribed by the Portuguese State within the scope of the recapitalization process of the Group and in accordance with Regulation n. 3/2011 from the Bank of Portugal. These instruments eligible until the maximum of 50% of core tier 1.

The additional elements that integrate the core tier 1 are preference shares, other hybrid instruments, and even some deductions taken by 50%: (i) of interests held in financial institutions and insurers; and (ii) the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach.

These components are part of the upper Tier 2, except the subordinated debt, that is split between upper tier 2 (perpetual debt) and lower tier 2 (the remaining). Subordinated debt can only be included in the own funds with the agreement of the Bank of Portugal and as long as their total amount complies with the following limits: a) the tier 2 cannot surpass the amount of the tier 1 and b) the lower tier 2 cannot surpass 50% of the tier 1. Additionally, non-perpetual subordinated loans should be amortised at a 20% annual rate, during the last five years to maturity. The tier 2 is also subject to the deduction of the remaining 50% not deducted to the tier 1: (i) of interests held in financial institutions (more than 10%) and insurers (at least 20%); and (ii) the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach. If the amount of tier 2 is not enough to accommodate this deduction, the excess should be subtracted to the tier 1.

In order to conclude the calculation of the regulatory capital, there are still some deductions to the own funds that need to be performed, namely the amount of real-estate assets resulting from recovered loans that have exceeded the regulatory period of permanence in the Bank's accounts, the impairment concerning securitization transactions that have not reached the regulatory definition of effective risk transfer, to the extent of the amounts not recognised in the Bank's accounts, and the potential excess of exposure to risk limits in the scope of Bank of Portugal published Regulation n°7/2010.

Capital requirements have been determined in accordance with the Basel II framework since the beginning of 2008. Capital requirements for credit risk have been determined in accordance with the Regulation n°5/2007 from the Bank of Portugal, using IRB approaches to calculate minimum capital requirements for exposures managed from Portugal, covering a substantial part of the retail and corporate portfolios, and the standardised approach for the remaining portfolios and geographies.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Capital requirements for operational risk have been calculated following the standard approach described in the Regulation n°9/2007 from the Bank of Portugal, and capital requirements for the trading portfolio have been calculated according to the Regulation n°8/2007 from the Bank of Portugal, using the internal models approach to calculate capital requirements for the generic market risk of the trading portfolio, comprising the sub-portfolios managed from Portugal, related to debt instruments, capital instruments and foreign exchange risks, and the standardised approach to calculate capital requirements for the specific risk.

Additionally, in the scope of the program of financial assistance to Portugal, the Bank of Portugal established, through the Regulation n°3/2011, that financial groups should reinforce their core tier 1 ratios, on a consolidated basis, to at least 9% until 31 December 2011 and 10% until 31 December 2012. In accordance to the criteria defined by EBA, which include the capital buffer of Euros 848 million related to sovereign risks, the BCP Group have to reach a minimum core tier 1 ratio of 9.7% in June 2012, above the minimum established limit (9%).

The own funds and the capital requirements determined according to the methodologies previously referred, for 30 June 2012 and 31 December 2011, are the following:

	Jun 2012	Dec 2011
	Euros '000	Euros '000
<i>Core own funds</i>		
Paid-up capital and share premium	3,071,722	6,136,722
Other capital instruments	3,000,000	-
Reserves and retained earnings (a)	291,080	(2,183,494)
Non-controlling interests	588,420	542,647
Intangible assets	(247,963)	(250,728)
Net impact of accruals and deferrals (a)	114,674	904,675
Other regulatory adjustments	(80,280)	(14,326)
<i>Core tier 1</i>	6,737,653	5,135,496
Preference shares and other securities	171,582	173,409
Other regulatory adjustments	(515,424)	(521,331)
<i>Total</i>	<u>6,393,811</u>	<u>4,787,574</u>
<i>Complementary own funds</i>		
Upper Tier 2	30,260	65,128
Lower Tier 2	645,143	547,842
	675,403	612,970
Deductions to total own funds	(138,765)	(137,366)
<i>Total own funds</i>	<u>6,930,449</u>	<u>5,263,178</u>
<i>Own funds requirements</i>		
Requirements from Regulation no.5/2007	4,100,867	4,072,649
Trading portfolio	31,831	45,309
Operacional risk	318,519	318,519
	<u>4,451,217</u>	<u>4,436,477</u>
<i>Capital ratios</i>		
Core tier 1	12.1%	9.3%
Tier 1	11.5%	8.6%
Tier 2 (*)	1.0%	0.9%
Solvency ratio	12.5%	9.5%
By memory:		
Core Tier 1 EBA	9.7%	

(*) Includes deductions to total own funds

a) Following the change in accounting policy related to the pension fund described above, all actuarial gains and losses were recognised in equity and, for prudential purposes, have been deferred.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

55. Accounting impact arising from the inspection from the supervisory authorities

In the scope of the investigations carried out by the supervisory authorities since the end of 2007, which are described in note 56, the Bank promoted, from that date, an internal investigation in relation to the transactions realised with off-shore entities.

This internal investigation identified that, between 1999 and 2002, BCP Group financed off-shore entities for the purposes of acquisition of shares issued by the Group. In November 2002, the referred offshore entities sold, to a financial institution, the BCP shares held, which represented 4.99% of the share capital of the Bank as at that date and, simultaneously acquired notes (Notes), issued by that financial institution, with an amount equivalent to 50% of the proceeds from the sale. This financial institution communicated to the market, on 9 December 2002, the acquisition of a qualified investment in the Bank.

The above referred loans were subject to a restructuring operation, occurred in March 2004, having been assumed by a group whose main activity consists on the development of real estate projects (from now on referred to as "GI"). Following this restructuring operation, GI assumed net liabilities amounting to 450 million euros, net of the reimbursement of the Notes occurred in December 2004. On the same date, the Bank sold to GI an entity named Millennium bcp Imobiliária (then named Comercial Imobiliária, S.A.), for Euros 26 million, and a real estate portfolio for Euros 61 million.

Regarding the above mentioned restructuring operation, GI, through Millennium bcp Imobiliária issued commercial paper in the amount of Euros 210 million subscribed by BCP Group and that in 2005 was contributed in kind to the Banco Comercial Português Group Pension Fund and together with shares issued by quoted companies. After this contribution, and as a result of the communication by Millennium bcp Imobiliária that it was not able to repay its debts, the Pensions Fund registered an actuarial loss in the approximate amount of Euros 115,000,000 in 2006 and 2007 related to the commercial paper issued by Millennium bcp Imobiliária. Following the change in the accounting policy described in note 1, the unamortised value was recognised against reserves together with the remaining actuarial gains and losses.

Considering the significant exposure of the Group towards GI and the real-estate sector in which this entity operates, in 2005, the Bank allocated a provision, in the amount of Euros 85 million, to the existing loans resulting from the above referred transactions.

In June 2006, the Group, which previously had acquired a minority shareholding of 11.5% in Millennium bcp Imobiliária, granted shareholders loans to this entity, in the amount of Euros 300 million, in order to allow Millennium bcp Imobiliária to acquire, from another GI subsidiary, an indirect majority shareholding in an Angolan entity which owned the so called Baia de Luanda Project. This entity had obtained, in October 2005, the concession, for 60 years, of the Baia de Luanda leasehold. With the proceeds from this transaction, GI repaid to BCP an additional portion of the loan, corresponding to Euros 305 million.

Considering the significance of the Project, the additional financing requirements for its development and the extent of GI's indebtedness with BCP, this entity proposed and BCP accepted, a holding of 68.34% of Millennium bcp Imobiliária share capital which at that date held an economic interest of 54% in the Baia de Luanda Project, as a repayment of the residual loan, which amounted to Euros 61 million, which, in June 2007, extinguished the remaining of the above mentioned net liabilities assumed in the amount of Euros 450 million. As a result of this transaction, BCP become owner of 90% of Millennium bcp Imobiliária share capital and, indirectly, of 54% of the future economic benefits of the above mentioned project, which were subject to full consolidation method in accordance with the accounting policy described in note 1 b).

Considering the existing indications arising from the ongoing investigations conducted by the supervisory authorities regarding a more thorough review of the economic substance of the above referred transactions, the Group decided to consider a more prudent interpretation, regarding the risks identified, the nature of the transactions and restructurings which occurred, and recorded an adjustment of Euros 300 million with effect at 1 January 2006, with a net impact of Euros 220.5 million after considering the tax effect.

As referred to in note 56, such decision does not represent any kind of recognition by the Bank of the existence of the alleged infractions which may be attributed to it. As referred also in note 56, as at 12 December 2008, the Group was notified for the administrative proceeding no. 24/07/CO constituted by the Bank of Portugal and for the administrative proceeding no. 41/2008 constituted by CMVM related to the inquiry processes referred above. The Bank maintains the position of contesting any infractions attributed to this matter considering the legal terms applicable. Notwithstanding this fact, the Executive Committee considers that the financial statements for the periods between 2007 and 2011 include, in all material respects the disclosures regarding the impact on the financial position of the Group of the referred matters, as disclosed in note 56. The Executive Committee remains in contact with the Supervision Authorities regarding this subject.

The above referred adjustment, recognised in accordance with IFRS and in the notes to the financial statements, can be analysed as follows:

	Restated		
	Equity	Net income	Equity
	31.12.2006	2006	01.01.2006
	Euros '000	Euros '000	Euros '000
Previously reported	4,841,892	779,894	4,247,494
Adjustments:			
Loan granted	(300,000)	-	(300,000)
Provision for loan losses	9,825	9,825	-
Deferred tax	76,896	(2,604)	79,500
	<u>(213,279)</u>	<u>7,221</u>	<u>(220,500)</u>
Restated	<u>4,628,613</u>	<u>787,115</u>	<u>4,026,994</u>

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Banco Comercial Português, S.A. during 2009, after analysing the market conditions and the development perspectives of the Luanda Bay Urban Requalification Project ("Baía de Luanda Project"), decided to reduce the Group's shareholder participation in the project to 10%, through the sale to the angolan company Finicapital - Investimentos e Gestão S.A. This sale will generate a cash inflow of approximately 100,000,000 USD, giving place to a gain of Euros 57,196,000.

According to the characteristics of the agreement, and in accordance with the accounting policy described in note 1 b), the investment is now consolidated through the equity method.

Banco Comercial Português considers that the participation maintained in the Baía de Luanda project will allow the Group to keep a relevant presence in a highly important project to Angola. Additionally to that, the Group maintains the expectation that the Baía de Luanda Project will generate results in the future, which will be registered against results of the Bank in the years that are generated.

56. Administrative proceedings

1. At the end of the year of 2007, the Bank received a formal notice dated of 27 December 2007 informing that administrative proceedings no. 24/07/CO were brought by the Bank of Portugal against the Bank and against seven former Directors and two Managers, "based in preliminary evidence of administrative offences foreseen in the General Framework of credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, of December 31), in particular with respect to breach of accounting rules, provision of false or incomplete information to Bank of Portugal, in particular in what respects to the amount of own funds and breach of prudential obligations".

A press release issued by the Bank of Portugal on 28 December 2007 mentioned that such administrative proceedings were initiated "based in facts related with 17 off-shore entities, whose nature and activities were always hidden from Bank of Portugal, in particular in previous inspections carried out".

On 12 December 2008, the Bank was notified of an accusation under the administrative proceedings no. 24/07/CO instructed by the Bank of Portugal, in which this Authority charges the Bank and the other defendants, with the practice of six administrative offences regulated by paragraph g) and three administrative offences regulated by paragraph r) of article 211 of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC).

The offences, should the charges be proven true, would be the following:

a) Failure to comply with the applicable accounting rules, determined by law or by the Bank of Portugal, that do not cause serious damages to the knowledge of the company's assets and financial standing is an administrative offence regulated in article 210 (f) of the LFCIFC, whereby companies are punished by a fine between Euros 750 and Euros 750,000. However, if such conduct causes serious damages, it may become the offence regulated in article 211 (g) of the LFCIFC, whereby companies are punished by a fine between Euros 2,500 and Euros 2,494,000.

b) the (i) omission of information and communications to the Bank of Portugal, within the due deadlines or (ii) the provision of incomplete information are offences regulated in article 210 (h – presently amended to i) of the LFCIFC, whereby companies are punished by a fine between Euros 750 and Euros 750,000. However, the (i) provision of false information or (ii) of incomplete information to the Bank of Portugal that may lead to wrongful conclusions with the same or similar effect as false information regarding that subject are offences regulated in article 211 (r) of the LFCIFC, whereby companies are punished by a fine between Euros 2,500 and Euros 2,494,000.

According to the charges, each offence is punishable by a fine between Euros 2,493.99 and Euros 2,493,989.49, and pursuant to the rules on accrued offences, defined in article 19 (1 and 2), of the Portuguese regime on administrative offences (Regime Geral das Contra-ordenações), in case of conviction for several offences, there shall be a single fine, the maximum amount of which cannot surpass twice the highest limit of the accrued offences.

On March 2009, the Bank did not accept the charges or accusations made and provided defence under these administrative proceedings within due term.

On 12 May 2010, the Bank was notified of the contents of the decision that, within the scope of the proceedings, was issued by the Board of Directors of the Bank of Portugal, applying to it, as primary sanction, a single fine of Euros 5,000,000.

Different fines were applied to the remaining defendants as primary sanctions, globally amounting to Euros 4,470,000. The Board of Directors of the Bank of Portugal decided to file the proceedings relating to a former Director and a Manager.

The Bank objected to this decision and has already been informed of the decision to accept the legal objections presented by all the defendants.

The trial hearing began in April 2011 and in September, the Court heard the witnesses so as to better appraise the validity of the documentation provided with the claims and their eventual nullity as evidence due to violation of banking secrecy.

After the hearing, the Court issued a decision dated of 7 October 2011 declaring that the evidence was null and therefore the entire process was annulled.

The Public Prosecutor and Banco of Portugal appealed this decision. The Bank and other defendants have already presented their counter-claim.

On 5 July 2012, the Bank was notified of the decision of the *Tribunal da Relação de Lisboa* (Lisbon court of appeals) which approved the appeals presented by Banco de Portugal and by the public prosecution, and revoked the decision appealed, determining that, "*there being no other reason not to, the trial hearing shall be continued and at the appropriate moment, a decision will be made based on the evidence*".

2. On 12 December 2008, the Bank was notified by the CMVM of the accusation under the administrative proceedings no. 41/2008 wherein it was charged with seven administrative offences for the alleged violation of article 7 of the Securities Code (CVM) and of article 389 (1) (a) of that Code.

In accordance with article 7 of the CMVM the information relating to financial instruments, organised trading methods, the activities of financial intermediation, the settlement, clearing of operations, public offers of securities and issuers must be complete, true, updated, objective, clear and lawful.

The Bank did not accept the charges brought against it and has provided, on 27 January 2009, its defence under the administrative proceedings in question.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Banco Comercial Português was notified on 26 June 2009 of CMVM's decision, within the scope of the administrative offence proceedings no. 41/2008, to apply a single fine of Euros 5,000,000 with the partial suspension of the sentence's execution for Euros 2,500,000 for a two-year term. The fine would be applied in its full amount if, during the suspension time the bank practiced any criminal or administrative offence, as foreseen in the Securities Code and it was timely disclosed.

The Bank did not accept this accusation and opposed it on 24 July 2009.

On 21 July 2010, the Tribunal de Pequena Instância de Lisboa (court of Lisbon for minor offences) pronounced the sentence on the proceedings partially approving the appeal regarding the suspension of Euros 2,500,000 for a two-year period and confirmed the CMVM's decision in all the remainder.

The Bank appealed the sentence and was notified on 11 April 2011 of the decision of Tribunal da Relação (Lisbon court of appeals), which overthrew Banks's appeal and confirmed the entire sentence issued by the first court.

In April 2011, the Bank appealed to the Tribunal Constitucional (constitutional court).

On 15 February 2012, the judgment of the Tribunal Constitucional (constitutional court) dismissed the normative question of unconstitutionality alleged by the Bank.

On 10 May 2012, the Bank paid the amount of 2,500,000 Euros, corresponding to the single fine, under the terms of the first instance court's sentence. The payment of the remainder of the fine will be suspended for a two-year period, counting from the final and definitive sentence.

3. On July 2009, the Bank was notified of the accusation deducted by Public Ministry in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the above mentioned facts and note 57, and to present in this process a request for an indemnity.

Considering this notification, and although considering as reproduced the contents of the defence presented in the above mentioned administrative proceedings, the Bank decided, in order to avoid any risk of a future allegation of loss of the right to an indemnity that may occur if no recourse is presented in this process, to present legal documentation regarding: (i) the recognition of its right, in a later period namely following the final identification of the facts, present a separate process in civil courts requesting an indemnity and (ii) additionally and cautiously, if the right to the request of a separate indemnity process in civil courts is not recognised, a civil indemnity according to the facts and terms mentioned in the accusation, if they are proven.

On 19 July 2011 the Bank was notified of the decision of the 8ª Vara Criminal de Lisboa (Lisbon criminal court section) to recognise that the Bank could present an eventual request for civil indemnity separately. One of the Defendants appealed this decision to the Court of Appeals, which was admitted by the first instance court but has a merely devolutive effect, being passed to the higher court only with the eventual appeal that ends the proceedings.

The judge already recognised the formal prerequisites of the process and the trial is scheduled to begin on 26 September 2012.

57. Sovereign debt of European Union countries subject to bailout

As at 31 December 2011, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

Issuer / Portfolio	30 June 2012					
	Book value Euros '000	Fair value Euros '000	Fair value reserves Euros '000	Average interest rate %	Average maturity Years	Fair value measurement levels
Portugal						
Financial assets held for trading	166,878	166,878	-	4.06%	5.1	1
Financial assets available for sale	2,577,647	2,577,647	(6,370)	4.30%	3.3	1
Held to maturity financial assets	1,943,788	1,720,973	-	4.79%	3.0	n.a.
	<u>4,688,313</u>	<u>4,465,498</u>	<u>(6,370)</u>			
Greece						
Financial assets held for trading	11,994	11,994	-	4.35%	0.3	1
Financial assets available for sale (*)	35,470	35,470	(6,827)	2.86%	13.9	1
	<u>47,464</u>	<u>47,464</u>	<u>(6,827)</u>			
Ireland						
Held to maturity financial assets	206,145	200,682	-	4.00%	1.5	n.a.
	<u>206,145</u>	<u>200,682</u>	<u>-</u>			
	<u>4,941,922</u>	<u>4,713,644</u>	<u>(13,197)</u>			

The value of the securities includes the respective accrued interest.

(*) As at 30 June 2012, the caption includes Euros 8,700,000 related to greek sovereign debt bonds, resulted from the the exchange operation and accounted on the Millennium Bank (Greece) portfolio.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 31 December 2011, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

Issuer / Portfolio	31 December 2011					
	Book value Euros '000	Fair value Euros '000	Fair value reserves Euros '000	Average interest rate %	Average maturity Years	Fair value measurement levels
Portugal						
Financial assets held for trading	573,993	573,993	-	4.29%	1.6	1
Financial assets available for sale	2,105,318	2,105,318	(174,728)	3.35%	3.4	1
Held to maturity financial assets	2,026,266	1,514,824	-	4.80%	3.3	n.a.
	<u>4,705,577</u>	<u>4,194,135</u>	<u>(174,728)</u>			
Greece						
Financial assets held for trading	3,313	3,313	-	4.83%	0.5	1
Financial assets available for sale	73,634	73,634	15	4.82%	0.2	1
Held to maturity financial assets	182,188	182,188	-	3.96%	3.2	n.a.
	<u>259,135</u>	<u>259,135</u>	<u>15</u>			
Ireland						
Held to maturity financial assets	210,972	192,973	-	4.00%	2.0	n.a.
	<u>210,972</u>	<u>192,973</u>	<u>-</u>			
	<u>5,175,684</u>	<u>4,646,243</u>	<u>(174,713)</u>			

The value of the securities includes the respective accrued interest.

As at 30 June 2012, the exposure registered in the balance Loans and advances to customers and Guarantees and future commitments, related to sovereign risk of the European Union countries subject to bailout is presented as follows:

	Jun 2012	
	Loans and advances to customers Euros '000	Guarantees and future commitments Euros '000
Portugal	400,730	-
	<u>400,730</u>	<u>-</u>

As at 30 June 2012, other exposures to sovereign risk of European Union countries subject to bailout are presented as follows:

	Jun 2012	
	Notional amount Euros '000	Fair value Euros '000
Ireland		
Credit Default Swaps	57,000	(3,082)
	<u>57,000</u>	<u>(3,082)</u>

The value of derivatives includes the respective accrued interest.

The values for the "Credit Default Swaps", identified in the tables above, are economically offset by other symmetrical "Credit Default Swaps" or "Credit Linked Notes" issued by the Group and for which is applied the "Fair Value Option" or are being detached embedded derivatives associated, so that, in net terms, the Group is not exposed to the risks underlying sovereign risks.

The evolution of the European Union sovereign debt crisis and specifically the economic and political environment in Greece have contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the capital markets, which implies that the short term solvency of the country is dependent on the continuous support by EU and IMF.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Considering this environment, the balance Impairment of Financial assets corresponds to the impairment recognised on Greek sovereign debt during 2011, as referred in note 13. Impairment was determined considering the terms of the agreement established between the Greek state and the private sector, related with the restructuring of the Greek sovereign debt ('GGBs'). The key terms for private sector involvement ('PSI') in the above mentioned restructuring, announced by the Greek Ministry of Finance in 21 February 2012, are as follows:

a) Holders of GGBs will exchange their existing GGBs for:

- New GGBs with a face amount equal to 31.5% of the par amount of the old GGBs.
- Notes issued by the European Financial Stability Facility (EFSF) with a face amount equal to 15% of par of the old GGBs. The notes will bear a market rate of interest and mature within 24 months.

b) The new GGBs will have the following key terms:

- Initial annual coupons of 2% increasing to 3% and then 4.3%.
- Repayment of principal in 20 annual installments commencing on the 11th anniversary of the issue date with final maturity in 2042.
- Aggregated collective action clauses.
- Listing on the Athens stock Exchange.
- Issues ruled by English law.
- Detachable GDP-linked securities entitling the holder to an additional annual coupon of 1% if specified GDP targets are met.

The PSI is part of an European Union Euro 130 billion bailout package for Greece which requires parliamentary approval of Eurozone countries.

The Group accepted the restructuring and the transaction was settled in 12 March 2012.

For the purposes of determining impairment the Group considered the terms and conditions of the PSI and also paragraph AG 84 of IAS 39 that considers reasonable that, for the portfolio of assets held to maturity when, for practical reasons, there are relevant uncertainties regarding the estimate of future cash-flows, impairment can be determined based on observable market prices.

Considering the available information regarding the new bonds, the fair value corresponded on 31 December 2011, to approximately 23% of the book value of the old GGB.

After the exchange, the Group has been selling the remaining portfolio of Greek sovereign debt held. On 30 June, 2012, resulting from this exchange, there are only Greek sovereign debt securities in the portfolio of Millennium Bank (Greece) in the amount of Euros 8,700,000 that are registered in the portfolio of financial assets available for sale.

In light of the restructuring of the Greek sovereign debt in the first quarter of 2012, the Group charged off the impairment. The Group recognised in 2011, an amount of impairment of Euros 532,665,000, which corresponded, as at 31 December 2011 to 77% of the nominal amount of the debt.

	Jun 2012	Dec 2011
	Euros '000	Euros '000
Cash and deposits at central banks	116,619	166,298
Loans and advances to credit institutions	183,824	957,037
Loans and advances to customers	4,529,910	4,653,552
Securities and trading derivatives	175,380	439,953
Other assets	226,067	146,752
Total assets	5,231,800	6,363,592
Deposits from central banks	494,410	607,092
Deposits from other credit institutions	1,560,625	2,018,672
Deposits from customers	2,622,045	2,939,172
Debt securities issued	129,872	150,397
Financial liabilities held for trading	94,845	110,240
Other liabilities	67,661	63,994
Total Liabilities	4,969,458	5,889,567
Share capital	199,580	199,580
Share premium	362,766	362,766
Reserves and retained earnings	(300,101)	(88,387)
Non-controlling interests	97	66
Total Equity	262,342	474,025
Total Equity and liabilities	5,231,800	6,363,592

58. Impact of change in accounting policy for recognition of actuarial gains and losses related to defined benefit plan

According to one of the options allowed by IAS 19 Employee Benefits, the Group decided in 2011 for a change in accounting policy starting to recognise the actuarial gains and losses against reserves. In accordance with IAS 8, this change in accounting policy is presented for comparative purposes from 1 January 2010, recognising in that date all the deferred actuarial gains and losses in equity.

Previously, the Group proceeded to the deferral of actuarial gains and losses determined in accordance with the corridor method. Under the corridor method, actuarial gains and losses not recognised that exceed 10% of the greater of the present value of the liabilities and the fair value of the Fund's assets were recorded in the income statement for the period corresponding to the remaining estimated useful life of the employees.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Thus, as described in notes 1, 31 and 50 the balance reserves and retained earnings includes, with effect from 1 January 2011, the restatement resulted from the referred changing in the accounting policy. The restatement is analysed as follows:

	Restated		
	Equity	Net income	Equity
	30.06.2011	2010	01.01.2011
	Euros '000	Euros '000	Euros '000
Previously reported	6,855,486	88,398	6,749,975
Adjustments:			
Actuarial deferred gains and losses	(1,940,034)	-	(1,965,766)
Deferred taxes	285,706	-	287,046
Amortization of deferred actuarial losses	25,864	25,864	42,845
	<u>(1,628,464)</u>	<u>25,864</u>	<u>(1,635,875)</u>
Restated	<u>5,227,022</u>	<u>114,262</u>	<u>5,114,100</u>

59. Capital Plan

The international financial crisis and the impact on the financial condition of the sovereign nations were decisive factors driving the degradation of the business environment, profitability and financial strength of the banking sector in Portugal. This situation, as well as the new regulatory requirements of eminently temporary nature, determined the additional capital needs, as follows:

- The Financial and Economic Assistance Program ("FEAP") which imposed a minimum ratio for core tier I of 9% at the end of 2011 and 10% at the end of 2012;
- The European Banking Authority ("EBA"), which imposed a minimum ratio for core tier I of 9% at the end of June 2012, calculated on the basis of additional deductions, in particular a temporary buffer to cover sovereign risk and the anticipation of Basel III rules.

After considering the risks, uncertainty and volatility associated with the expected development of Banks's activity, the estimated additional capital needed, to be realized through public investment, is Euros 3,000 million, complemented by an additional Euros 500 millions to be raised through private investment:

1. Issuance in June 2012 of hybrid instruments in the estimated total amount of Euros 3,000 million, eligible as Core tier I, to be subscribed by the Portuguese State, and which is expected to begin being paid back starting in 2014, with full amortization by the end of 2016 (Euros 500 million in 2014, Euros 1,000 million in 2015 and Euros 1,500 million in 2016), even though the bank has the right to complete the repayment in 2017;

2. Issuance of ordinary shares, in the estimated amount of Euros 500 million, in exchange for new funds, to be subscribed by shareholders and fully underwritten by the State. For the underwriting agreement a price has been established of euros 0.04 per share.

The amount of capital solicited is therefore aimed at satisfying the capital needs determined by what are primarily exogenous impacts, of which a substantial portion are of a temporary nature or designed to anticipate requirements expected under Basel III.

The aforementioned impacts are as follows:

1. Exogenous impacts

- Downgrades of the sovereign ratings for Portugal and Greece
- Impairment of Greek public debt
- The EBA's sovereign buffer, excluding Greek public debt
- Other EBA deductions, in anticipation of the Basel III rules
- Losses from the transfer of pensions to the National Social Security System

2. Risks related to the need to establish provisions for the activity of the Greek subsidiary, as a result of the gradual deterioration of the economic and financial situation in that country. The need of capitalization of the greek banks determined by the Greece Central Bank and the independent appraisal done by the Troika team which estimated a significant increase of the credit risk that affects the greek banking sector (Euros 450 million).

3. Additional safety buffer against future uncertainty (Euros 479 millions)

The implementation of the recapitalization plan and internal capital generation provided under the strategic program of projections made and contemplated in the Plan of Capital and Liquidity ("FCP") will allow the Bank to fully repay the hybrid instruments notably due to three key factors:

1. Elimination of the temporary buffer to cover sovereign risks due to maturity of debt instruments associated with it (Euros 848 millions)
2. Organic generation of results, minority and other (Euros 2,472 millions)
3. Standardization of capital requirements with the gradual introduction of the new Basel III criteria until the end of 2018 which imposes minimum ratios of core tier I lower than those currently required (4.0% in early 2014; 5.75 % in early 2017 and 7.0% in early 2019).

The strategic program (2012-17) will involve:

- Reinforcing the capital position, above regulatory requirements, with a simultaneous reduction of the transformation ratio, thereby allowing for a balance sheet structure that is less dependent on wholesale markets
- Recovery of profitability
- Recovery of income, in particular through the normalization, in accordance with the economic cycle, of the cost of deposits
- Continuation of the restructuring of the cost base
- Strengthening of the mechanisms for risk management, allowing for the normalization, in accordance with the economic cycle, of the cost of risk
- Greater focus in lending decisions, increasing new production for SMEs and exporting companies
- Continuation of the focus on markets with high growth potential (in particular Poland, Mozambique and Angola) while reducing and mitigating the exposure to Greece.

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

60. BCP list of subsidiary and associated companies

As at 30 June 2012 the Banco Comercial Português Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% control	% held	% held
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	Oeiras	6,720,691	EUR	Investment fund management	100.0	100.0	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Lisbon	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
BII Investimentos International, S.A.	Luxembourg	150,000	EUR	Investment fund management	100.0	100.0	–
BCP Capital - Sociedade de Capital de Risco, S.A.	Lisbon	28,500,000	EUR	Venture capital	100.0	100.0	100.0
Banco de Investimento Imobiliário, S.A.	Lisbon	217,000,000	EUR	Banking	100.0	100.0	100.0
BII Internacional, S.G.P.S., Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	–
BII Finance Company	George Town	25,000	USD	Investment	100.0	100.0	–
Banco ActivoBank, S.A.	Lisbon	41,000,000	EUR	Banking	100.0	100.0	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Banco Millennium Angola, S.A.	Luanda	4,009,893,495	AOA	Banking	50.1	50.1	50.1
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	65.5	65.5	65.5
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	65.5	–
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Broker	100.0	65.5	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	65.5	–
TBM Sp.z o.o.	Warsaw	500,000	PLN	Advisory and services	100.0	65.5	–
MB Finance AB	Stockholm	500,000	SEK	Investment	100.0	65.5	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	65.5	–
Millennium Telecommunication, Sp.z o.o.	Warsaw	100,000	PLN	Broker	100.0	65.5	–
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	48.5	–
Banque Privée BCP (Suisse) S.A.	Geneve	70,000,000	CHF	Banking	100.0	100.0	–
Millennium Bank, Societe Anonyme	Athens	199,580,000	EUR	Banking	100.0	100.0	–

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% control	% held	% held
Millennium Fin Commerce of Vehicles, Vessels, Devices and Equipment, Societe Anonyme	Athens	759,980	EUR	Investment	100.0	100.0	–
Millennium Mutual Funds Management Company, Societe Anonyme	Athens	1,176,000	EUR	Investment fund management	100.0	100.0	–
Banca Millennium S.A.	Bucharest	303,195,000	RON	Banking	100.0	100.0	–
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
Bitalpart, B.V.	Rotterdam	19,370	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0	100.0	100.0
ALO Investments B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	–
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
MBCP REO I, LLC	Delaware	370,174	USD	Real-estate management	100.0	100.0	–
MBCP REO II, LLC	Delaware	924,804	USD	Real-estate management	100.0	100.0	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	202,176,194	EUR	Investment	100.0	15.3	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	Sao Paulo	36,520,000	BRL	Financial Services	100.0	100.0	100.0
Millennium BCP - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext services	100.0	100.0	100.0
Caracas Financial Services, Limited	George Town	25,000	USD	Financial Services	100.0	100.0	100.0
Millennium bcp Imobiliária, S.A.	Lisbon	50,000	EUR	Real-estate management	99.9	99.9	99.9
Millennium bcp - Prestação de Serviços, A. C. E.	Lisbon	331,000	EUR	Services	91.5	92.2	73.5
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
Imábida - Imobiliária da Arrábida, S.A.	Oeiras	1,750,000	EUR	Real-estate management	100.0	100.0	100.0
QPR Investimentos, S.A.	Lisbon	50,000	EUR	Advisory and services	100.0	100.0	100.0
Propaço- Sociedade Imobiliária De Paço D'Arcos, Lda	Oeiras	5,000	EUR	Real-estate company	52.7	52.7	52.7

The Group also consolidates under the full consolidation method the following Investment Funds: "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo Especial de Investimento Imobiliário Oceânico II", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital", "Fundo Especial de Investimento Imobiliário Fechado Sand Capital" and "Fundo de Investimento Imobiliário Fechado Gestimo", "M Inovação - Fundo de Capital de Risco BCP Capital" and "Fundo Especial de Investimento Imobiliário Fechado Intercapital", as referred in the accounting policy presented in note 1 b).

BANCO COMERCIAL PORTUGUÊS
Notes to the Interim Consolidated Financial Statements
30 June, 2012

As at 30 June 2012 the associated companies, were as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group		Bank
					% control	% held	% held
Academia Millennium Atlântico	Luanda	47,500,000	AOA	Education	33.0	16.5	–
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,625	EUR	Extractive industry	20.0	20.0	20.0
Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A.	Luanda	19,200,000	USD	Services	10.0	10.0	–
Banque BCP, S.A.S.	Paris	84,164,803	EUR	Banking	19.9	19.9	19.9
Banque BCP (Luxembourg), S.A.	Luxembourg	16,000,000	EUR	Banking	19.9	19.9	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Real-estate	20.0	12.0	–
Beira Nave	Maputo	2,849,640	MZN	Electronic equipments	22.8	13.7	–
Luanda Waterfront Corporation	George Town	10,810,000	USD	Services	10.0	10.0	–
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	32.8	–
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1	41.1	41.1
Pomorskie Hurtowe Centrum Rolno - Spozywce S.A.	Gdansk	21,357,000	PLN	Wholesale business	38.4	25.2	–
Quinta do Furão - Sociedade de Animação Turística e Agrícola de Santana, Lda (*)	Funchal	1,870,492	EUR	Turism	31.3	31.3	–
SIBS - Forward Payment Solutions, S.A.	Lisbon	24,642,300	EUR	Banking services	21.9	21.9	21.5
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory and services	25.0	25.0	25.0
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	31.7
VSC - Aluguer de Veiculos Sem Condutor, Lda.	Lisbon	12,500,000	EUR	Long term rental	50.0	50.0	–

As at 30 June 2012 the Banco Comercial Português Group's subsidiary and associated insurance companies included in the consolidated accounts under the full consolidation method and equity method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group		Bank
					% control	% held	% held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	89.9	60.0	–

Associated companies	Head office	Share capital	Currency	Activity	Group		Bank
					% control	% held	% held
Millenniumpcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	1,000,002,375	EUR	Holding company	49.0	49.0	–
Médis - Companhia Portuguesa Seguros de Saúde, S.A.	Oeiras	12,000,000	EUR	Health insurance	49.0	49.0	–
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ocidental - Companhia Portuguesa de Seguros, S.A.	Oeiras	12,500,000	EUR	Non-life insurance	49.0	49.0	–
Pensõesgere, Sociedade Gestora Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

(*) New entity included on 2012 perimeter.

DECLARATION OF COMPLIANCE


It is declared, that in the extent of the knowledge of the undersigned, the individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which comprehend (i) the individual and consolidated balance sheet as at 30 June, 2012, (ii) the individual and consolidated income statements for the six months ended 30 June, 2012, (iii) the changes in equity and the cash flow statement for the year six months 30 June, 2012, (iv) a summary of the significant accounting policies and (v) the notes to individual and consolidated accounts, give a true and appropriate image of the individual and consolidated financial position of the Bank as at 30 June, 2012 and of the individual and consolidated income of their operations and changes in the equity and of their individual and consolidated cash flow statements for the year ended in that date according to the Adjusted Accounting Standards (NCA) as defined by the Bank of Portugal and International Financial Reporting Standards (IFRS) as endorsed by the European Union.

In the Board of Directors meeting of March 1, 2012 the Board of Directors, with the exception of the annual report and accounts, has delegated to the Executive Committee the approval of all other documents related with the accounts reporting.


The individual and consolidated financial statements of the Bank for the six months ended 30 June, 2012 were approved by the Executive Committee on 23 August, 2012.

It is also declared that the 2012 1st half management report of BCP truly describes the evolution of the businesses, of the performance and position of the Bank and its subsidiaries included in the consolidation perimeter, and contains a description of the main risks and uncertainties that they face. The management report was approved by the Executive Committee on 23 August, 2012.

Porto Salvo, 23 August, 2012



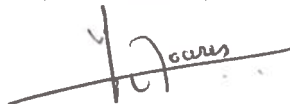
Nuno Manuel da Silva Amado
(Chairman)



Miguel de Campos Pereira de Bragança
(Vice-Chairman)



Miguel Maya Dias Pinheiro
(Vice-Chairman)



José Jacinto Iglésias Soares
(Member)



Maria da Conceição Mota Soares de Oliveira Callé Lucas
(Member)



Luís Maria França de Castro Pereira Coutinho
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Rui Manuel da Silva Teixeira
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**LIMITED REVIEW REPORT ON CONSOLIDATED
INTERIM FINANCIAL INFORMATION PREPARED
BY INDEPENDENT AUDITOR REGISTERED IN CMVM**

(This Report is a free translation to English from the Portuguese version)

Introduction

1. In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we have performed a limited review on the interim consolidated financial information for the six months period ended 30 June 2012, of **Banco Comercial Português Group**, included in the Interim Management Report, the consolidated balance sheet as at 30 June 2012 (with a total assets of Euros 92,999,189 thousand and total equity attributable to the equity holders of the Bank of Euros 3,354,301 thousand including a consolidated net loss attributable to the equity holders of the Bank of Euros 544,279 thousand) and the consolidated statement of income, cash flows, changes in equity and comprehensive income for the six months period then ended and in the corresponding notes to the financial statements.
2. The amounts included in the financial statements and the additional financial information were derived from the accounting records.

Responsibilities

3. The Executive Committee of the Board of Directors' is responsible for:
 - a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group companies included in the consolidation, the consolidated result of its operations, the consolidated cash-flows, the changes in equity and consolidated comprehensive income;
 - b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;
 - c) the adoption of adequate accounting principles and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant matter that may have influenced the activity of the companies included in the consolidation, their financial position or results.

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4. Our responsibility is to verify the consolidated financial information contained in the above mentioned documents, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work

Scope

5. The work that we have performed was conducted with the objective of obtaining a moderate level of assurance that the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:
 - a) mainly, inquiries and analytical procedures performed to review:
 - the feasibility of the assertions included in the interim consolidated financial information;
 - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
 - application of the going concern principle;
 - the presentation of the interim consolidated financial information;
 - if the interim consolidated financial information is complete, true, current, clear, objective and fair; and
 - b) substantive tests on material non current transactions.
6. Our work included also the verification of the consistency of the consolidated financial information contained in the Interim Management report with the remaining documents mentioned above.
7. We consider that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

8. Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the interim consolidated financial information of **Banco Comercial Português Group** as at 30 June 2012, the consolidated results of its operations, the consolidated cashflows, the changes in equity and the comprehensive income for the six months period ended 30 June 2012, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful as established by CVM.

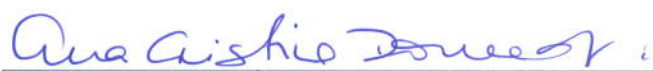




Report on Other Legal Requirements

9. Based on our work, nothing has come to our attention that causes us to believe that the consolidated financial information included in the Interim Management Report is not consistent with the consolidated financial statements for the period ended 30 June 2012.

Lisbon, 24 August 2012



KPMG & Associados,
Sociedade de Revisores Oficiais de Contas, S.A. (n° 189)
represented by
Ana Cristina Soares Valente Dourado (ROC n° 1011)

2012 First Half Report

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Euro 3,000,000,000

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