2013

First Half Report

Statement pursuant to article 9 of CMVM Regulation number 5/2008 of the

ANNUAL REPORT FOR THE 1ST HALF OF 2013

BANCO COMERCIAL PORTUGUÊS, S.A.

Public Company
Head Office: Praça D. João I, 28, 4000-295 Porto - Share Capital of 3,500,000,000 Euros
Registered at Porto Commercial Registry, under the same registration and tax identification number 501 525 882

The 1st Half 2013 Report and Accounts is a translation of the Relatório e Contas do 1º Semestre de 2013 document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of this English version is to facilitate consultation of the document by English speaking Shareholders, Investors and other Stakeholders, and in case of any doubt or contradiction between the documents, the Portuguese version of the Relatório e Contas do 1º Semestre de 2013 prevails.

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

CONTENTS

Information on the BCP Group

KEY INDICATORS

Euro million

	30 Jun. 13	30 Jun. 12	Change 13/12
Balance sheet			
Total assets	83,944	92,999	-9.7%
Loans to customers (gross) (1)	61,401	65,514	-6.3%
Total customer funds (1)	65,517	64,149	2.1%
Balance sheet customer funds (1)	52,474	51,883	1.1%
Customer deposits (1)	47,464	45,352	4.7%
Loans to customers, net / Customer deposits (2)	123%	139%	
Loans to customers, net / Customer deposits (3)	123%	138%	
Results			
Net income	(488.2)	(544.3)	
Net interest income	388.1	582.1	-33.3%
Net operating revenues	790.8	1,232.0	-35.8%
Operating costs	612.2	626.3	-2.3%
Loan impairment charges (net of recoveries)	476.5	466.5	2.1%
Other impairment and provisions	234.6	107.0	119.2%
Income taxes			
Current	36.2	38.2	-5.0%
Deferred	(166.3)	(18.0)	
Profitability			
Net operating revenues / Average net assets (2)	1.8%	2.7%	
Return on average assets (ROA) (4)	-1.0%	-1.1%	
Income before tax and non-controlling interests / Average net assets (2)	-1.3%	-1.1%	
Return on average equity (ROE)	-32.3%	-29.8%	
Income before tax and non-controlling interests / Average equity (2)	-31.5%	-23.0%	
Credit quality			
Overdue loans + doubtful loans / Total loans (2)	9.0%	7.9%	
Overdue loans + doubtful loans, net / Total loans, net (2)	3.4%	2.2%	
Credit at risk / Total loans (2)	12.6%	13.2%	
Credit at risk, net / Total loans, net (2)	7.3%	7.8%	
Impairment for loan losses / Overdue loans by more than 90 days (1)	85.2%	87.8%	
Efficiency ratios (2) (5)			
Operating costs / Net operating revenues	76.9%	55.8%	
Operating costs / Net operating revenues (Portugal)	104.6%	55.2%	
Staff costs / Net operating revenues	43.1%	31.4%	
Capital			
Own funds	6,584	6,930	
Risk weighted assets	48,755	55,640	
Core tier I (2)	12.5%	12.1%	
Core tier I (EBA)	10.0%	9.7%	
Tier I (2)	11.9%	11.5%	
Total (2)	13.5%	12.5%	
Branches			
Portugal activity	797	862	-7.5%
Foreign activity (1)	737	727	1.4%
Employees			
Portugal activity	8,744	9,917	-11.8%
Foreign activity (1)	10,048	10,359	-3.0%

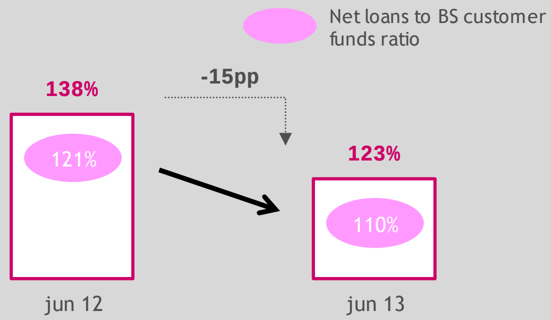
(1) First half of 2012 adjusted to the actual consolidation perimeter.
(2) According to Instruction no. 16/2004 from the Bank of Portugal, as the currently existing version.
(3) Calculated in accordance with the definition from the Bank of Portugal.
(4) Considering net income before non-controlling interests.
(5) Excludes the impact of specific items.

MAIN HIGHLIGHTS

DG COMP AGREEMENT

1. Agreement between the European Commission and the Portuguese authorities regarding the restructuring plan for BCP
2. The Plan includes an improvement in Portugal's profitability through further significant efforts to reduce costs and a clear focus on bank's core markets and businesses
3. Formal approval of the agreement and the disclosure of its main points is expected in the forthcoming weeks

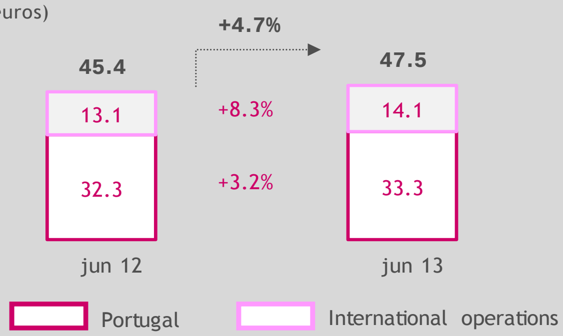
LOAN TO DEPOSIT RATIO*



* Calculated with net loans and customer deposits (according to BoP criteria)

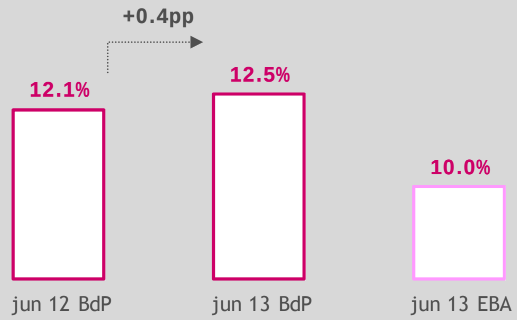
CUSTOMER DEPOSITS

(Billion euros)

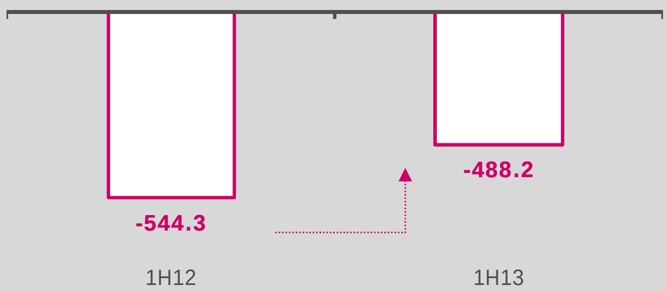


CORE TIER I

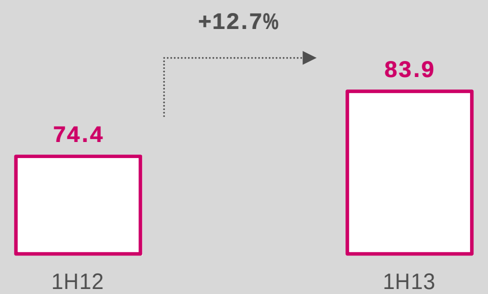
(%)



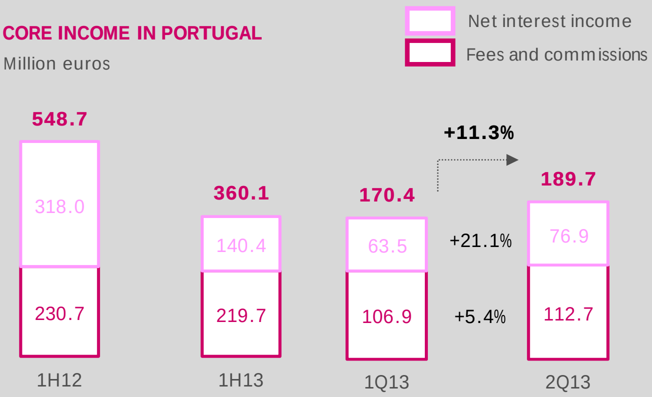
NET INCOME
Million euros



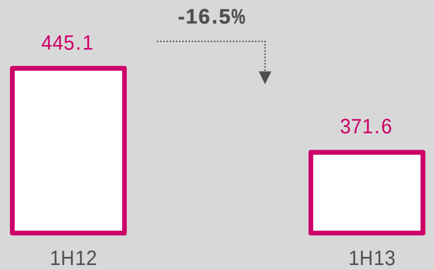
CONTRIBUTION OF THE INTERNATIONAL OPERATIONS (EXCLUDING GREECE)
Million euros



CORE INCOME IN PORTUGAL
Million euros



OPERATING COSTS IN PORTUGAL *
Milllion euros



*Excludes specific items: restructuring costs (+2.7M€ in the 1H12 and +11.2M€ in the 1H13) and the impact of the legislative change related to mortality allowance (-64.0 M€ € in the 1H12 and -7.5 M€ in the 1H13)

Millennium Group

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese private bank. 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. The Bank occupies a prominent position in Africa through its banking operations in Mozambique and Angola, and in Europe through its banking operations in Poland, Romania and Switzerland. Since 2010, the Bank has operated in Macao through an on shore branch and has signed 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. Macau branch takes up increasingly as a strategic vector of development of relations between Portugal, Europe, Angola, Mozambique and China, particularly in the areas of trade finance and investment banking. The Bank also has a presence in the Cayman Islands through BCP Bank & Trust with a type B license.

Vision, Mission and History 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 an annual growth of turnover above 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 and cost management.

The Bank's mission is to create value for Customers through 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 its strategic autonomy and corporate identity.

Foundation and organic growth to become a relevant player	Development in Portugal through acquisitions and partnerships	Internationalisation and creation of a single brand	Restructuring Process involving the divesture in non-strategic assets
1985: Incorporation **1989:** Launch of NovaRede **Até 1994:** Organic growth, reaching a market share of approximately 8% in loans and deposits	**1995:** Acquisition of Banco Português do Atlântico, S.A. **2000:** Acquisition of Banco Pinto & Sotto Mayor from CGD and incorporation of José Mello (Mello Bank and Império) **2004:** Agreement with CGD Group and Fortis (Ageas) for the insurance business	**1993:** Beginning of the presence in the East **1995:** Beginning of the presence in Mozambique **1998:** Partnership agreement with BBG (Poland) 1999: Set up of a greenfield operation in Greece **2000:** Integration of the insurance operation into Eureko **2003:** Change of Poland operation's denomination to Bank Millennium **2006:** Adoption of a single brand "Millennium" **2006:** BMA incorporation **2007:** Beginning the activity in Romania **2008:** Strategic partnership agreement with Sonangol and BPA **2010:** Transformation of Macau branch from off-shore to on-shore	**2005:** - Sale of Crédilar - Sale of BCM and maintenance of an off-shore branch in Macao - Divesture in the insurance activity, following the partnership agreement with Ageas for the bancassurance activity **2006:** - Sale of the financial holding of 50.001% in Interbanco - Conclusion of the sale of 80.1% of the share capital of the Banque BCP in France and Luxembourg **2010:** - Sale of 95% of Millennium bank AS in Turkey and sale agreement for the entire branch network and the deposit basis of Millennium bcpbank in USA **2013:** - Sale of the entire share capital of Millennium Bank Greece (MBG) to Piraeus Bank - Sale of 10% of the share capital of the Banque BCP in Luxembourg

BUSINESS MODEL

NATURE OF THE OPERATIONS AND MAIN ACTIVITIES

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, being present in the following markets: Poland, Mozambique, Angola, Switzerland and Romania. All the operations develop their activity under the Millennium brand. Always attentive to the challenges imposed in an increasingly global market, the Group also ensures its presence in the five main continents of the world through representation offices and/or commercial protocols.

The Bank provides a vast range of financial products and services: current accounts, means of payment, saving and investment products, private banking, asset management and investment banking, as well as mortgage loans, consumer credit, commercial banking, leasing, factoring and insurance, among others. The back-office operations for the distribution network are integrated, in order to benefit from economies of scale.

In Portugal, Millennium bcp has the second largest distribution network, focused on retail where it provides services to its Customers in a segmented manner. The operations of the subsidiaries generally provide their products through the Millennium bcp distribution networks, offering a wide range of products and services, with special emphasis on asset management and insurance.

DISTINCTIVE FACTORS AND SUSTAINABILITY OF THE BUSINESS MODEL

Largest private banking institution

Millennium bcp is the largest private banking institution in Portugal, with a leadership position and particular strength in various financial products, services and market segments based on a strong and significant brand franchise.

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve the Customers's interests, both through a value proposal based on innovation and speed aimed at Mass-market Customers, and through the innovation and personalised management of service targeting Prestige and Business Customers. The Retail Network also has a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity, offering innovative products and services.

The Bank also 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 concept of banking, based on the ActivoBank platform.

At the end of the 1st half of 2013, the Bank was supported by the second largest banking distribution network of the country – 797 branches, serving over 2.3 million Customers, and held the position of second bank (first private bank) in terms of market share both concerning loans to customers (19.2%), and customer deposits (18.6%).

Resilience and sustainability of the business model

The generalisation of the liquidity and credit crises, which began in 2007, has brought new challenges to the financial system. The aggravation of the sovereign debt crisis has required additional effort from national banks in order to overcome the adversities.

Millennium bcp, in particular, has confirmed its robustness by successfully exceeding the successive requirements on matters of capital and liquidity. The Bank's solidity is based on a time-tested and distinguished business model, confirmed through its performance indicators and external recognition.

The capacity of resilience of the business model is essentially based on the Bank's concentration on retail banking, by nature more stable and less volatile, in relation to the reduced weight of financial operations. The resilience of net operating revenues, even in the current context of the financial crisis and high efficiency levels which have been strengthened progressively since 2008, are the result of a continued strategy based on cost reduction.

Focus on the Customer

Under the motto "We seek to see the world through our Customers' eyes, because we aspire to meet all their needs and contribute to the fulfilment of their dreams", Millennium bcp has chosen "Focus on the Customer" as one of its strategic pillars, and this is a critical factor for the Bank's success.

The commitment established with its Clients continues to be one of the Bank’s strategic priorities. The 1st six months of 2013 were featured by the launching by Millennium bcp of a new way to communicate, generated by the increasing awareness of the need to adapt not only the products offered but also the message conveyed to the specific features and profiles of each one of its different Client Segments.

By moving from a typical mass communication to a type of communication especially addressed to a target, Millennium intended to augment the relation it establishes with its clients, construing a message more focused on the business and values requirements of each one of them, regardless the fact that they are Mass Market, Prestige or Corporate.

This re-definition of contents was made together with a re-adjustment of the communication pieces in order to distinguish them in terms of colour, message and recipient.

The continuous sharing of information with its Clients is a permanent goal of Millennium bcp. We must highlight the communication effort made during the 1st six months of 2013 in the Prestige Segment that, together with the development of a wide range of initiatives addressed to the corporate Clients, intended to strengthen the distinctive position that Millennium wishes to cement in both Segments.

Thus, and relating to the 1st six months of 2013, we must point out (i) the campaigns of the "Prestige Programme”, focused on the advantages and distinctive elements underlying the fact of belonging to the segment Prestige, (ii) the campaigns focused on the product "Credit for Companies" based on the granting, until 2015, of credit lines amounting to 4.200 million Euros to potentiate the growth of the Portuguese Companies and also the (iii) “Jornadas Millennium Empresas”, the objective of which is to enhance the establishment of contacts and sharing of experiences amongst the Portuguese entrepreneurs.

Concerning the Mass Market segment, the Bank continued to use a type of communication that is predominantly commercial, based on integrated solutions of banking products and services that are simple and comfortable and enable to save more, such as the product “Cliente Frequente” or the“Cartão Free Refeição”.

Bank Leader in Innovation

Since its incorporation, BCP has built a reputation based on dynamism, innovation, competitiveness, profitability and financial strenght. The Bank is considered a benchmark in several market segments in Portugal, and an institution with an international reputation in the distribution of financial products and services. BCP was the first bank in Portugal to introduce several concepts and innovative products, including direct marketing methods, design of branches based on the customers' profile, salary accounts, smaller and more efficient branches ("NovaRede"), telephone banking (through Banco 7, which subsequently became the first online platform in Portugal, health insurance (Médis) and “Seguro Directo” insurance, and was the first Portuguese bank with a website dedicated to companies.

In view of the importance of innovation, as a distinguishing factor of excellence relative to the competition, BCP was also a pioneer in the launch of a new banking concept, supported by the ActivoBank platform, based on the simplicity of customer service, convenience, transparency and presence of emerging distribution and communication channels (e.g. Mobile Banking).

The persistent search for new solutions, as long as new means better, is a commitment that reaches across the organisation. The Employees are also involved in this process through an internal programme of improvement, "Mil Ideas", based on the recognition of the Employees as a creative force generating ideas of value and focusing on a culture of innovation.

Following its mission to add value to its Customer and other stakeholders, Millennium bcp actively entered the Social Networks in May 2010, and now has several dozens of thousands of "followers", in particular on Facebook, whose higher number of visitors and ongoing activity support a communication strategy based on the immediacy and proximity to target groups, with discosure of information of general interest in the context of the activity of each area.

Technology

In the 1st half of 2013, the Bank continued its strategy of continuous improvement of information systems through the implementation of a set of projects and structuring and innovative initiatives, among which the following are particularly noteworthy: i) a new Mobile application for Companies, which strengthens the distinctive offer in this channel and provides significant advantages for customers, ii) the upgrade of the commercial platform (iPAC), through a wide range of new essential features to continue the investment in a value proposal focused on the customer, iii) the availability of a new application to support factoring business, which enables a more effective and efficient processes management, improving the level and quality of the service provided to customers in accordance with growing market needs, as well as on the risk management area and, iv) upgrade of the system of risk ratings allocation.

It should be noted, in the scope of the costs reduction policy, the signing of a new contract to provide services in IT outsourcing arrangements, which includes some areas of application development and support services to the Business Units of the Bank's structure.

The Millennium Brand

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

The Millennium brand reflects also 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, where "Innovation", "Modernity/Youth", "Dynamism" and "Quality" have a particular importance, according to independent research conducted by Marktest (BASEF) and Grupo Consultores (BrandScore).

Main Awards Received

PORTUGAL

"Ethibel EXCELLENCE Investment Register"
ETHIBEL Fórum

Best Corporate Governance and Best Investor Relations Team / Capital Finance International
Cfi.co

"Investment Fund/Open Pension Fund in Portuguese Stocks", "Market Member - Most Active Trading House in Certificates and Most Active Trading House in Shares Compartments B and C" and "Best Capital Market Promotion Event", thanks to Global Investment Challenge
Investment Challenge

First place in financial sector category, in the ranking of TOP CEOs in Portugal
Institutional Investor

ActivoBank was classified as the 15th best company to work for in Portugal
Revista Exame/Accenture

"Brands of Excellence" in Health Insurance
Selec. Reader's Digest

Benefactor Member attributed to Millennium bcp Foundation
World Monuments Fund Portugal

"Best Consumer Internet Bank", in the scope of the "World's Best Internet Banks in Europe 2013"
Global Finance

POLAND

"Best Banking Offer" in Market Pearls
Retailers' Choice

"RESPECT Index" integration for the 5th time
Warsaw Stock Exchange/Association of Listed Companies

"Golden Six", in growing Millennium's brand value, in the last six years
Jornal Rzeczpospolita

"2013 Service Quality Star"
Votinh through Service Quality Stars website

"Best Consumer Internet Bank", in the scope of the "World's Best Internet Banks in Europe 2013"
Global Finance

ANGOLA

"Brands of Excellence in Angola 2012/13"
Superbrands

"Best Foreign Bank",
EMEA Finance

MOZAMBIQUE

"Best Bank"
Global Finance

COMPETITIVE POSITIONING

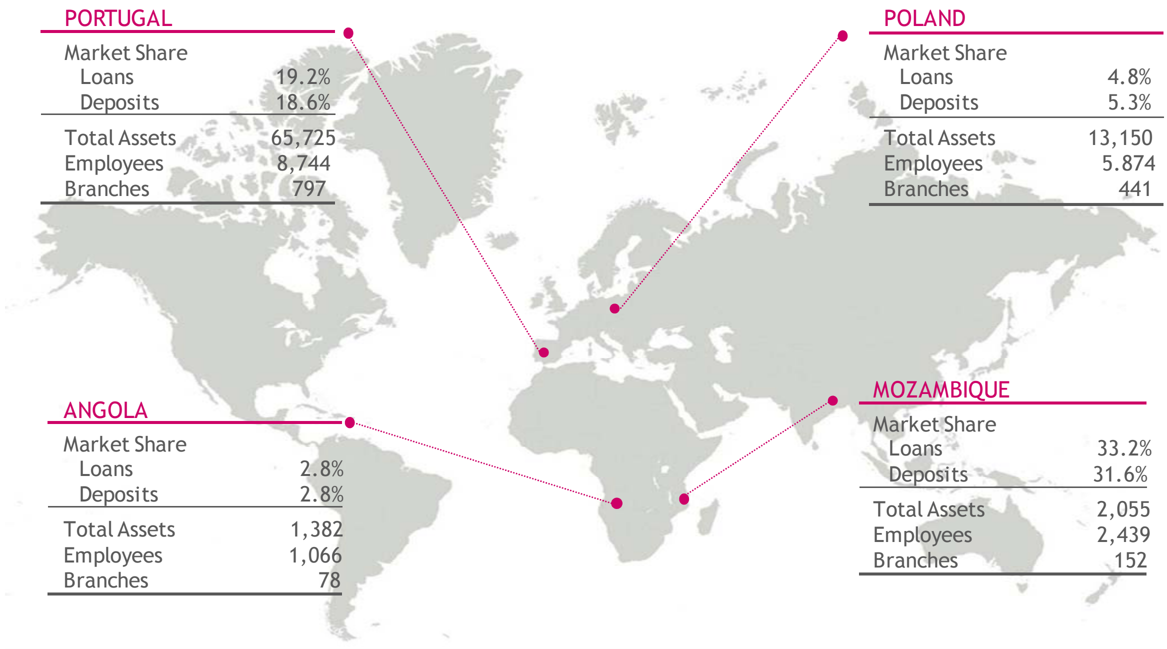
Millennium bcp is the largest national private banking institution, with the second largest branch network in Portugal (797) and expanding in the countries where it operates, especially in African affinity markets.

Based on the motto "We seek to see the world through our Customers' eyes", the Bank provides a vast range of banking products and services, concentrated on Retail, through which it provides universal banking services and, additionally, remote banking channels (telephone and Internet banking services), operating as distribution points.

Its mission of ensuring excellence, quality service and innovation are values which make the Bank distinctive and differentiated from the competition. Accompanying the changes in consumer preference for digital banking, the creation of ActivoBank represents a privileged way of serving a group of urban Customers, who are young at heart, intensive users of new communication technologies and value simplicity, transparency, trust, innovation and accessibility in banking relations.

At the end of the 1st half of 2013, operations in Portugal account for 78% of total assets, 79% of total loans and advances to customers (gross) and 70% of total customer deposits. The Bank has 2.3 million Customers in Portugal and market shares of 19.2% and 18.6% for loans and advances to customers and customer deposits, respectively.

Millennium bcp is present in the five main continents of the world through its banking operations, representation offices and/or commercial protocols, corresponding to more than 5 million Customers, at the end of June 2013.



Millennium bcp continues to pursue the plans of expansion of its operations in Africa. Millennium bim, a universal bank, has been operating in Mozambique since 1995 where it is the leading bank, with over 1.1 million Customers, 33.2% of loans and advances to customers and 31.6% of deposits. Millennium bim is a highly reputable brand in the Mozambican market, associated with innovation, with major penetration in terms of electronic banking and exceptional capacity in the attraction of new customers. The bank is also a reference in terms of profitability.

Banco Millennium Angola (BMA) was constituted on 3 April 2006 via transformation of the local branch into a bank under Angolan law. Benefiting from the strong image of the Millennium bcp brand, BMA presents distinctive characteristics such as innovation and dynamic communication, availability and convenience. In Angola, the Group aspires, with the investment in progress, to become a reference player in the banking sector in the medium term. BMA also aspires to become an important partner for companies of the oil sector, through the constitution of a specific corporate centre, provision of financial support to these companies and trade finance operations. By the end of the 1st semester of 2013, the Bank had a market share of 2.8% in loans and advances to customers and 2.8% in deposits.

In Poland, Bank Millennium has a well distributed network of branches, supported on modern multi-channel infrastructure, reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and solid risk management and control. By the end of the 1st half of 2013, Bank Millennium had market share of 4.8% in loans and advances to customers and 5.3% in deposits.

In Romania, the Group is present through a green field operation launched in October 2007. Millennium Bank is a bank of national scope providing a wide range of innovative financial products to Individuals and Companies, supported by a network of 65 branches and 8 corporate centres.

The Group has had an operation in Switzerland since 2003, corresponding to a private banking platform offering personalised and quality services to Customers of the Group with high net worth, comprising asset management solutions based on rigorous research and its profound knowledge of financial markets, underpinned by a robust commitment to risk management and an efficient IT platform.

The Group has also been present in the East since 1993, but it was only in 2010 that the activity of the existing branch in Macau was expanded, through the attribution of a full license (onshore) aimed at establishing an international platform for business operations involving Europe, China and Portuguese-speaking Africa.

Responsible Business

In Millennium bcp, the Sustainability strategy aims to respond to the expectations of key stakeholders - Employees, Customers, Shareholders, Suppliers, Media and Analysts - ensuring a balanced management of resources and the creation of social value.

The formal incorporation of this strategy is reflected in the Sustainability Master Plan, which covers the main policies and specific activities to be carried out in order to guarantee their implementation. The identification of material issues is achieved from direct engagement with stakeholders, as well as those arising from regulations and trends that are the result of profound changes - economic, social and environmental - recently verified. In the context of responsible business, the activity developed during the 1st Semester of 2013, and summarized in this chapter, reflects the concern of Millennium bcp in responding to this framework.

Legal Obligations and Duties

- Following the implementation in 2012 of Actimize, software used to the prevention of Money Laundering and Terrorist Financing (MLTF), we have proceeded to functional restructuration of monitoring and control of processes area, ensuring the identification of data likely to be the subject of further research, by generating alerts about entities, accounts and transactions. The new model of alerts passes through decentralization of 1st line monitoring for operational and business areas, which proves a greater involvement of the organization in preventing MLTF.
- As part of the training on compliance matters, we have strengthened the skills of Employees through an e-learning course - Money Laundering and Financing of Terrorism combat – with the participation of 8,688 employees.
- It began a comprehensive review of the Ethics Code, a document establishing the fundamental principles and rules to be observed in the exercise of the activity developed by the entities that constitute the Millennium bcp, to be approved during the 2nd Semester of 2013.

Quality

- We have implemented a new management model of customer satisfaction in the retail network, based on experiences evaluation, which consists in short inquires, made through direct channels (telephone / internet), after the client interactions with the Bank . The objective of this model is to allow a fast intervention whenever the appreciation is less positive. In comparing with the previous model, enabled the Bank: i) strengthen the model by increasing significantly the response rate - the number of monitoring quintupled -, making the process of decision even more reliable, and ii) a reduction of more than 80 % on cost per questionnaire received / year. This new process has also eliminated a large amount of paper questionnaires, making the process more environmentally friendly and less costly.

  Is in progress - to be completed by 2014 - the implementation of this model - Evaluation of Experiences - to evaluate the service provided by the Contact Center and Internet Banking channels.
- Actions were strengthened - Mystery Shopper - to double the number of visits per branch (currently 4 visits year), enabling a more permanent and more detailed information about the compliance with the guidelines and standards related to customer service in branches. The results of these actions enable and / or contribute to the implementation of strategies that lead to improved quality of service to the Customer.
- In order to improve the value proposal of channels in the Bank and the service provided to customers, the Direct Banking Unit undertook the following actions: i) organization of a forum with Bank Employees about the internet particular portal, to share experiences, opinions and suggestions; and ii) usability tests - companies and individual customers -, to identify obstacles / difficulties in consultations and operations in the Bank's website.

Products and Services

- As part of the launch of new products and / or services, and bearing in mind the need to maintain an organizational framework that allows the management of the various risks inherent in its definition, we have reinforce the formal approval and development process, that become more sustainable through the involvement of more areas of the Bank and the introduction of new aspects and analysis tools.

- In order to further assist customers in financial difficulties and avoid default, continued the promotion of the Financial Advisory Service (FAS), namely trough an Internet simulator that presents an immediate set of solutions appropriate to the Customer specific situation.

  Within the FAS packets, 25,333 contractual changes were made (9,294 mortgage credit and 16,039 consumer credit), restructuring a total amount of 630 million Euros (557 in mortgage and 73 for consumer credit). These alterations consist mainly in the introduction of grace periods and time extensions.

- Within the cultural commitment of the Bank, we continued the partnership with ZON Lusomundo cinemas offering, in the purchase of the 1st ticket with a credit card Millennium bcp, a 2nd ticket for the same session. Were offered more than 120,000 tickets under this partnership.

- Launched the - Millennium GO! UP - an integrated banking products and services, aimed at young people aged 14 to 17 years, which has an associated savings component with a more attractive rate, encourages early saving habits and benefit from discounts and special conditions in various partners.

- Remained the continuous promotion of adherence to Digital Statement, through various actions, with emphasis on:

  - Through the site, and implemented at specific dates - Mobilize on the preservation of the Earth - and - World Environment Day - in the context of the celebration of World Earth Day and World Environment Day, respectively, and via e-mail and / or sms. All these actions, together, contributed to the service subscription for more than 1,700 Customers;

  - American Express continued their work energizing autonomous digital statement. This service has been subscribed for 33% of cardholders, an increase of 20% compared to the 1st half of 2012.

- In its capacity as issuer, Millennium bcp continued the promotion of “Free Refeição” card, a product developed specifically to allow responding to the benefits provided in the state budget, and that benefits Employees, through lower tax incidence of singular income tax and Employers in this case by reducing single social tax costs. Were issued about 86,000 cards, 6,000 of which are Employees of Millennium bcp.

- Remained available account minimum banking services, aimed at clients with no account with in the banking system, which seeks to reduce social exclusion enhancers factors, including the accessibility to a bank account, a debit card and home banking service. Have been opened more than 450 accounts in these conditions.

- Continued the policy of integrating the expectations and needs of Customers in our products. Is in the pipeline to release in 2013 a new TAP (Terminal Automatic Payment) solution dedicated to small businesses and that responds to tax obligation of issuing certified invoices.

- Under the protocol signed with the Instituto do Emprego e Formação Profissional (IEFP) (Institute of Employment and Professional Training) and the Mutual Guarantee Societies, continued the support for investment in projects of business creation by the unemployed with subsidized financing conditions through specific credit lines - line Microinvest and line Invest + - . Were financed 15 operations for a total funding of more than 354,000 Euros.

- A protocol was signed between Millennium bcp, the Instituto do Emprego e Formação Profissional (IEFP) (Institute of Employment and Professional Training), the Cooperative António Sérgio for Social Economy (CASES) and the Mutual Guarantee Societies, which defines a line of credit - Social Invests - support Economy social, amounting to 12,5 million Euros, to support entities that integrate the social sector.

- Within the support to the Agriculture and Fisheries, remained the availability of funding under the protocol signed with the FIAF (Financing Institute of Agriculture and Fisheries), by Lines of Credit – PRODER/ PROMAR and IFAP Short Term -. 47 operations were completed, with a financed amount of more than 2,3 million.

- Under the protocol signed between Millennium bcp and Tourism of Portugal, was kept the credit line that allows companies to invest in regeneration projects of tourist enterprises and creation of new ventures, catering establishments and entertainment activities, using a total value of more than 461,000 Euros.

- Under the protocols signed with IAPMEI, PME Investments (Line Management Entity) and Mutual Guarantee Societies, to support investment projects or increase working capital, remained the Line Growth SMEs. 1.980 operations were funded, with total loans of more than 147 million Euros.
- Work continued on the line of credit - INVESTE QREN - under the protocol signed with the Portuguese Government, through the Financial Institute for Regional Development (FIRD) and Mutual Guarantee Societies, to, within the framework of the current juncture, support companies in accessing bank credit to bridge cash requirements and to implement the respective investment projects. Operations were funded for a total of more than 513,000 Euros.
- Were distinguished and recognized with the status - Applause Customer 2013 – 12,000 Customers companies and / or independent professionals who contributed to the development of the economy, thus benefiting from a unique set of banking terms.

Employees

- The Bank continued to promote motivation, betting on the role that Employees have in managing their careers through the development programs - Master in Millennium (1st edition) and Grow Fast (3rd edition) - attended by 45 employees and 19 employees, respectively. Intended for Employees with high performance and potential, seeking to provide (for 18 months) skills acquisition opportunities, key so that in future they can assume roles with higher levels of complexity and responsibility.

  Following one of the initiatives provided for these programs was realized Grow Together Forum, an opportunity to network with participants from development programs, alumni, mentors and sponsors, in which were presented strategic projects for the Bank's future.
- As part of the training program, remained the rational of sharing technical knowledge through the platform of e-learning and classroom training for behavioural training.

  In the field of technical training, were given more than 29,000 hours of training to about 21,000 participants (an Employee may have participated in more than one training action). Highlight to the launch of the courses about credit default in private clients, PARI, PERSI and REP. Regarding behavioural training, attended by more than 3,000 Employees in a total of 14,500 hours, and beyond the development of executive programs, the effort has been directed to areas subject to transformation processes, namely the Retail Recovery and Specialized Recovery units.
- In the context of knowledge sharing and skill development, we highlight the actions performed in class and aimed at all employees, organized by several Bank units. The Direct Banking promoted two themed weeks for sharing and discussion of specific issues - The Border Security and e-Banking Companies - with an approximated duration of two hours and attended by more than 40 employees per session. The Litigation unit continued the cycle of conferences Banking Law, having held the 9th Conference on "Concurrence Law".

Financial Literacy

- Millennium bcp participated in the Working Group of the Portuguese Banking Association (PBA), in which were represented various financial institutions, contributing to the development and launch of Financial Literacy site - "Good Practice, Good Accounts" - the first banking joint project specialized in financial education.
- A Facebook page - Millennium Suggested - created as a channel for sharing content related to financial planning, broadened its scope of communication, positioning itself now in four vectors - more opportunities, more solutions, more quality of life, and more future - as a consequence of this new positioning, the page was renamed to - More Millennium -.
- In terms of financial management, remained the encouragement to the use of the tool - Finance Manager - via website and App Millennium, a facilitator in the planning and management of expenditure savings, which has since its inception (June 2012) more than 14,200 users.

- Still in the formative and educational financial aspect, and reflecting the importance that financial education takes for the Bank in the relationship with its Customers, remained the contents publication dynamic in - Kit unforeseen expenses -, tool for communication on the website which provides solutions to help balance the financial budget.

Volunteering

- Was given continuation to voluntary participation of Employees and their families in the campaign to collect food to Food Bank. Together, more than 70 volunteers have contributed in central warehouses in Alcântara (Lisbon) to the weighing, sorting and packaging of products donated.
- For the 4th consecutive year, Millennium bcp Employees joined Microsoft Portugal and EPIS for the 5th edition of the "Safer Internet Day", and, together, about 150 volunteers sensitized for a safer and more responsible Internet and Social Networking use, under the theme "Rights and Duties in the Internet", in 75 schools from 1st to 3rd cycle. Were sensitized about 12,000 people, including children / youth, parents, teachers and seniors.
- Continued collaboration with Junior Achievement Portugal, in developing their programs geared towards entrepreneurship, risk appetite, creativity and innovation through: i) the exclusive sponsorship of Fundação Millennium bcp to StartUp Programme (6th edition), intended for university students, and ii) the Millennium bcp support for programs aimed at primary and secondary school levels.

  In school year 2012/2013, 138 volunteers from Millennium bcp followed more than 2,700 students in the various programs of Junior Achievement Portugal, with a total of 1,135 volunteer hours.

Support and Proximity to the Community

- In the management of computer equipment and office furniture, which life cycle has ended, but that are under conditions of reuse, Millennium bcp has given continuity to the regular donation process to nonprofits organizations. Were delivered over 235 pieces to various entities - that stand out the Red Cross (Oporto), the Spanish Society of Beneficence, the Association and the Mutual Helpo and Entrajuda -.
- Millennium bcp, trough American Express, celebrated an agreement with Tourism of Porto and Northern Portugal and ACAPO (*Association of Blind and Partially Sighted Portugal*), under which it was produced a Guide to Porto and Northern Portugal in Braille as well as an audio module available at the airport Sá Carneiro, ensuring access to content of the tour for people who otherwise would not have this opportunity.
- Cards issued by Millennium bcp continued to have a presence in the social field revealing a commitment of solidarity with those most needed, through the Millennium bcp Points and Membership Rewards Program from American Express. These programs delivered more than 280 donations to Social Solidarity Institutions – Ajuda de Berço (*Cradle Help*), Cerci, Liga Portuguesa Contra o Cancro (*Portuguese League Against Cancer*), UNICEF, Casa do Gaiato (*House of Gaiato*) and AMI (*International Medical Assistance*) -.
- Signing of a protocol between Millennium bcp and the Sociedade Portuguesa de Autores (Portuguese Society of Authors), which provides the Bank's support for one year to several artistic awards, as well as other cultural initiatives promoted by this society.
- The Bank, in the framework of partnerships with universities, is committed to contribute to the management of the educational segment of university students and share financial know-how, by conducting:
  - CEMS MIM Skill Seminar, an annual event that results from a partnership between Millennium bcp and CEMS MIM (Master in International Management CEMS) NOVA School of Business and Economics, and aims to provide students with the opportunity to contact multiple executive directors of the Bank and discuss some of the strategic issues. 18 students participated.
  - Internships at the Bank four students, under the existing protocol with the Master of Banking and Insurance of the Universidade Católica (*Catholic University*) of Porto. Each trainee was accompanied by an experienced tutor, who guided in their learning process.

- Millennium bcp is one of the promoters of the "Movement for Employability", promoted by the Instituto de Emprego e Formação Profissional (IEFP) (*Institute of Employment and Professional Training*) in partnership with the Calouste Gulbenkian Foudation and COTEC – Associação Empresarial para a Inovação (*Business Association for Innovation*), providing internships for graduates, masters or doctorates.

  During the 1st half ran the selection process of 100 trainees. Internships allow contact with various areas of the Bank, providing a versatility that will prepare trainees to respond to different challenges.

MICROCREDIT

- During the 1st Semester Millennium bcp microcredit has funded 96 new business projects with a total funding of more than 1 million Euros, creating 158 jobs.
- As part of the promotion and dissemination of microcredit product, remained the Bank's effort in approaching the entrepreneurs through various actions:
  - Celebration of 20 cooperation protocols for entrepreneurship, aiming to streamline access to microcredit and the creation of self-employment. Significant part of the protocols was established with local municipalities, dynamic entities in the area of entrepreneurship and available to the establishment of partnerships to promote job creation and support for social or financially excluded populations;
  - Participation in approximately 120 events for the dissemination and promotion of employment and entrepreneurship, highlighting the role of microcredit as a tool for combating unemployment and social exclusion. The highlight participation as a speaker in seminars "How to create your own jobs' promoted by the Municipality of Faro;
  - Signing of the cooperation protocol with Sines Tecnopolo, under which Millennium bcp Microcredit collaborated with the program "Empreender na Escola" (Entrepreneurship in the School), which aims to promote the development of entrepreneurial skills, and with the contest of ideas "Criatividade 2013" (Creativity 2013), nationwide initiative that rewards the best ideas;
  - Renewal of financial intermediation protocol with the Associação Nacional de Direito ao Crédito (ANDC) (National Association for the Right to Credit), with the aim of providing a specific line of Microcredit;
  - Conducting more than 300 meetings with institutional entities, including those involved locally with the most disadvantaged populations, Universities and Polytechnics.
- Promoted the participation of 6 Millennium bcp microentrepreneurs in the 1st Innovation Race, held as part of the 10th Annual Conference of the European Microfinance Network in Stockholm (Sweden). The initiative was an opportunity to microentrepreneurs throughout Europe, to participate in the construction and development of the future of Microfinance sector, exchanging experiences, skills and ideas.
- As a corporate member, continued participation in the working group of the European Microfinance Network (EMN), in order to prepare an analysis of the growth of Microfinance in Europe.
- Launched the 2nd Edition of "Prémio Realizar" (*Achieve Award*), continuing an initiative that aims to distinguish and recognize microentrepreneurs who stood out for their creativity, innovation and dynamism, in a business project funded by microcredit Millennium bcp.

FUNDATION

- The Millennium bcp Foundation maintained its activity focused on the production and generation of benefits to society, through collaboration with projects aimed at widening access to culture, education and social inclusion.
  - In the context of Culture, highlighting the strengthening of conservation actions and dissemination of the Bank patrimony and the support to Museums. The conservation and dissemination of the Bank patrimony through: i) the membership of the "Núcleo Arqueológico da Rua dos Correeiros (NARC)" (*Archaeological Street Correeiros*) to significant initiatives as - International Day for Monuments and Sites, Museum Day, and Night of Museums -. Received during the 1st Semester more than 4,700 visitors; ii)

exhibitions – "Baixa em Tempo Real" (*Town Center Realtime*); "A Sardinha é de todos" (*The Sardine is of all*) - Millennium Gallery exhibition space, received 5,567 and 7,281 visitors respectively. The support for Museums, implemented: i) Museu Nacional de Arte Contemporânea – Museu do Chiado (MNAC) (*National Museum of Contemporary Art – Chiado Museum*), for the following exhibitions – "As coleções do MNAC. 1850-1975" (*The MNAC collections. 1850-1975*), "A Invenção Contínua – A Obra de Jorge Oliveira" (The *Invention Continuous - The Work of Jorge Oliveira*); Noites de Verão (*Summer Nights*) - ii) Museu Nacional do Azulejo (*National Tile Museum*), through the rehabilitation of the room dictates D. Manuel, the body of the old church of the Mother of God, the production of the catalogue 500 years of the Tile Museum and restoration of the altar of Saint Anthony, in the chapel of St. Anthony, and iii) Museu Nacional de Arte Antiga (*National Museum of Ancient Art*), the recovery of the coverage of the Chapel of Albertas and supporting exhibitions - permanent and temporary -. In this context, the Foundation was awarded with the status of Benefactor Member by the World Monuments Fund Portugal by the support given to restoration projects.

- In the field of education, we continued the program of scholarships Millennium bcp Foundation, aimed at students of Países Africanos de Língua Oficial Portuguesa e de Timor (PALOP) (*African Countries of Portuguese Official Language and Timor*), were supported eight new fellows. It has also established a partnership with Millennium bim to award scholarships to students with financial need and academic merit, awarded three scholarships. In the context of support to entities, has been assured the continuity of the following partnerships: i) Instituto de Medicina Molecular (*Institute of Molecular Medicine*), to support a range of research initiatives to treat brain tumors and awards to scientific papers in the international biomedical sciences doctoral Meeting Program ii) Liga dos Amigos do Hospital de Santa Marta (LAHSM) (*League of Friends of the Santa Marta Hospital*), supporting the development of the project of investigating cases of congenital heart disease, in collaboration with the Faculdade de Ciências Médicas de Lisboa (*Faculty of Medical Sciences of Lisbon*) and with the involvement of the University of Harvard and iii) Plataforma para o Crescimento Sustentável (PCS) (*Platform for Sustainable Growth*), a project that aims to create a model of sustainable development with a view to competitiveness.
- Within the framework of solidarity, we highlight the support provided to the following entities: i) Confederação Nacional das Instituições de Solidariedade (*National Confederation of Solidarity Institutions*) - supporting the implementation of six studies on the economic and social impact on the private institutions of social solidarity, ii) GOS Programme - Management of Social Organizations - program developed in partnership with EASA (*School of Executive Business*) and ENTRAJUDA, for the improvement of management practices through training activities, iii) Banco Alimentar Contra a Fome (*Food Bank Against Hunger*) by supporting the production cost bags for carrying out campaigns to collect food iv) Associação Portuguesa do Síndrome Asperger (APSA) (*Portuguese Association of Asperger Syndrome*), project "Casa Grande" (*Big House*) in supporting the construction of a Support Center in building provided by the Municipality of Lisbon; v) ACAPO - Associação dos Cegos e Amblíopes de Portugal (*Association of the Blind and Partially Sighted Portugal*), support for braille edition of the children's book "A Menina que Vivia no País Azul" (*The Girl Who Lived in Blue Country*), written by Antonia Costa Rodrigues.

- The Millennium bcp Foundation and the Direção-Geral do Património Cultural (*Directorate-General for Cultural Heritage*) signed a protocol that allows free entry to all Employees of Millennium bcp in Museu Nacional do Azulejo (*National Tile Museum*) and the Museu Nacional de Arte Antiga (*National Museum of Ancient Art*).

Efficient Management of Consumptions

- We continued the program - Green IT - an initiative that includes a set of actions design to promote the proper management of the available resources, identifying and putting in place a series of measures and solutions that allows technological and environmental gains. As part of its communication plan, highlight for the publication of regular Green IT Newsletter # 3 – All, We Make the Difference.
- Under the efficient management of consumption, we continued the promotion of the use of media webcasting, which increased by 43% compared to 1st Semester of 2012.

- Within the reduce energy consumption program, it stands out:

Reduction Actions	Energy Consumption (KWh/ month)	CO_2 emissions (estimated) (Kg/ month)
Replacement of halogen spots by led spots	17,113	3,528
Adjustment of operating hours of air conditioning	96,042	19,800
Optimization of operating parameters for cold water production equipment for air conditioning systems	7,576	1,562
Adjustment of operating hours of interior lighting in Tagus Park	3,875	799
Optimization of the the operating transformer stations in installations with more than one processor	29,167	6,013

COMMUNICATION

- Reinforced the strategy of regularly updating content about Sustainability in institutional site, area Sustainability.
- Started an internal plan of communication about Sustainability initiatives, with more frequent and intensive actions, and carried out through the Bank corporate channels.
- It was published and promoted the document - Progress and Goals 2012 - which reports the activities of the Bank in fulfilling its Sustainability Master Plan.
- In the context of environmental performance: i) Green IT program has been awarded, through the publication of the case study in the book – Olhar para o Futuro (*Looking to the Future*) - which shares best practices in the responsible business, ii) remained the heading "Zona Verde" (*Green Zone*) in some numbers of the newsletter - Internet and Mobile - to sensitize readers to the theme of ecological footprint.
- The channels and formats used for communications about sustainability issues have been updated, through, for example, the regular publication of contents on Facebook and YouTube.

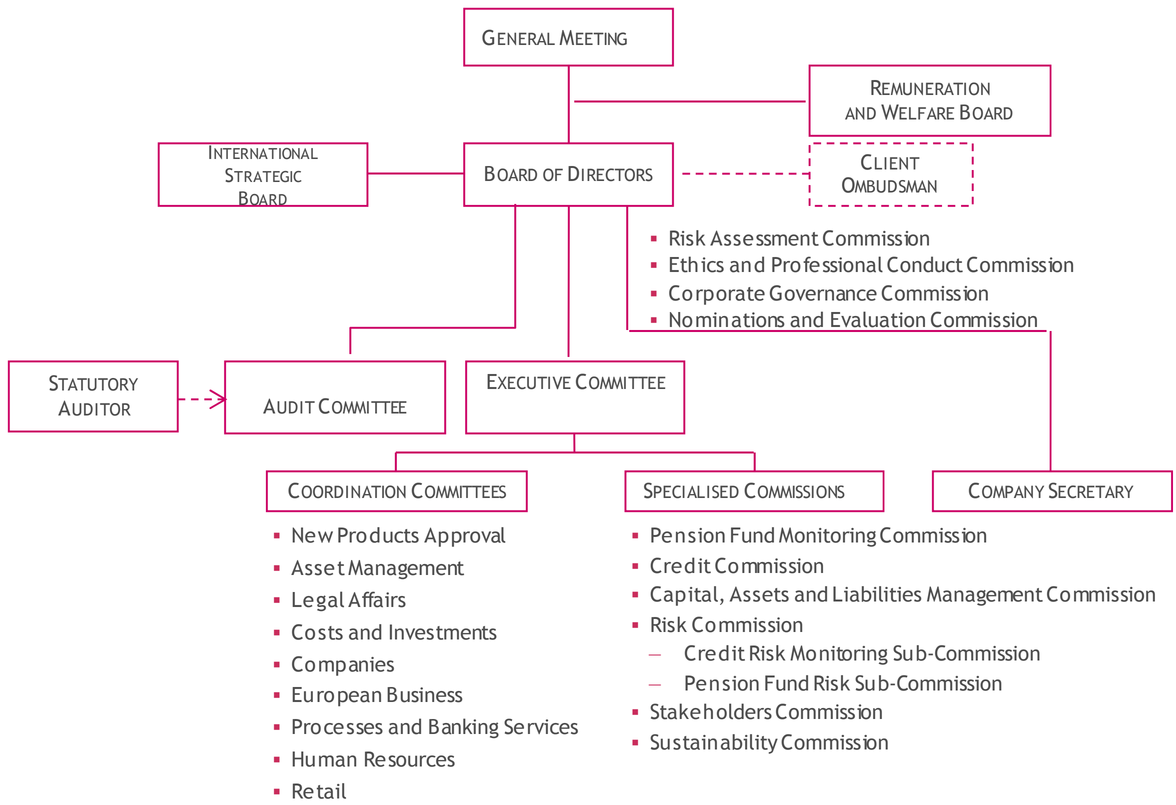
Governance Model

Millennium bcp adopts a one-tier management and supervisory model, composed of a Board of Directors and respective Executive Committee, Audit Committee and Statutory Audit. The company also has Remuneration and Welfare Board and an International Strategic Board.

On 20 May 2013 was held the Annual General Meeting of the Shareholders of Banco Comercial Português, S.A., and was taken the following resolutions, related to corporate governance:

- Election of a member to the Remuneration and Welfare Board, with an increase of the number of the respective members to 5, during the period 2012/2014, according to the appointment by the Minister of Finance of two non-executive directors to be part of the Board of Directors of Banco Comercial Português, S.A., in the scope of the capital plan with public investment support;
- Approval of the remuneration policy of the Board of Directors, including the Executive Committee;
- Approval of the remuneration policy for heads of function, senior executives and other employees.

Organisational chart of the company's corporate governance model



Identification and Composition of the Governing Bodies

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:
Álvaro Roque de Pinho Bissaia Barreto
André Luiz Gomes
António Luís Guerra Nunes Mexia
António Manuel Costeira Faustino
António Henriques de Pinho Cardão
Bernardo de Sá Braamcamp Sobral Sottomayor (*)
César Paxi Manuel João Pedro
Jaime de Macedo Santos Bastos
José Jacinto Iglésias Soares
João Bernardo Bastos Mendes Resende
João Manuel de Matos Loureiro
José Guilherme Xavier de Basto
José Rodrigues de Jesus (*)
Luís Maria França de Castro Pereira Coutinho
Maria da Conceição Mota Soares de Oliveira Callé Lucas
Miguel de Campos Pereira de Bragança
Miguel Maya Dias Pinheiro
Rui Manuel da Silva Teixeira

(*) Members Appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds.

Executive Committee

Chief Executive Officer:
Nuno Manuel da Silva Amado

Deputy 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
José Rodrigues de Jesus (*)

(*) Members Appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds.

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

Members by virtue of office:
António Vítor Martins Monteiro
Carlos José da Silva
Pedro Maria Calaínho Teixeira Duarte
Nuno Manuel da Silva Amado

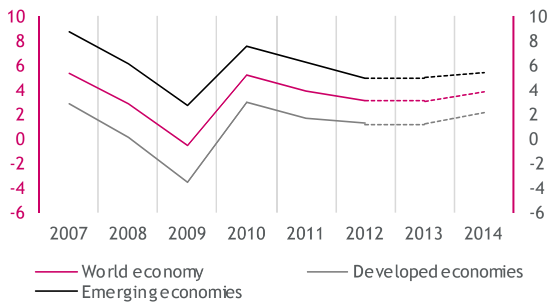
MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) revised its forecasts for the world economy for 2013 from 3.3% to 3.1%, with the developed countries still suffering from the recessive impact of the financial crisis, consubstantiated in the rebalancing of the balance-sheets of households and corporations as well as in the process of fiscal consolidation, especially in Europe. In the USA, which according to this institution, should grow below 2%, the repercussions of the automatic cuts in public spending on private consumption have been mitigated by the recovery of the labour market and the appreciation in the housing and equity markets. The eurozone stands out negatively among the main economic blocs for being the only for which the IMF forecasts a GDP contraction in 2013 (-0.6%). The dichotomy between the 'periphery' and the 'centre', still relevant regarding the funding capacity, has been diluted in what concerns the economic performance, especially in France, where GDP is expected to fall in the current year. The developing countries that have been used as safe-heavens by investors during the most turbulent period endured by the Western economies reveal signs of cooling given the eurozone recession, the presence of structural constraints and greater restrictions in the access to external capital. China faces a dilemma between stimulating the economy and thus arrest the on going slowdown and the need to correct speculative bubbles in certain markets for which excessive credit has been channelled. In Japan, which is expected to grow 2% this year, the first signs of the positive effects of the fiscal and monetary policies are starting to surface.

Regarding financial markets, investors' sentiment in the 1st six months of the year remained positive despite the financial bailout to Cyprus by the European authorities and the IMF, the political instability in Italy and, the worries about the delays of the Greek government in reforming the public sector under the program of financial assistance. On the institutional side, the first steps towards an European banking union were taken.

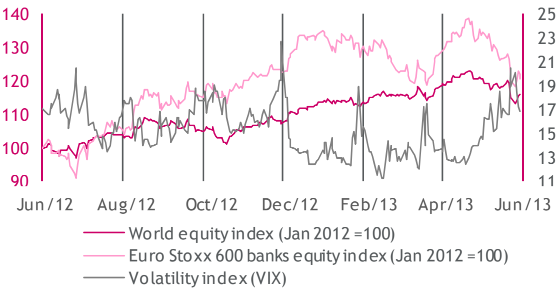
The monetary conditions have remained universally accommodative despite the greater propensity of the US Federal Reserve to taper the amounts of liquidity injected in the financial system. In April, the Bank of Japan reinforced the accommodative stance of its policy by committing to double the monetary base in two years in order to achieve the previously announced 2% inflation target. In its May meeting, the European Central Bank (ECB) reduced the main refinancing rate to 0.50%, having in the same occasion demonstrated an inclination to further decreases in the key rates, as well as the use of heterodox instruments, including measures to stimulate the credit to small and medium enterprises, thus mitigating the effect of elevated levels of market interest rates in certain euro area economies. In what respects the Portuguese banks it should be highlighted the smooth downward trend of the use of the ECB's liquidity facilities throughout the 1st semester.

GLOBAL ECONOMIC GROWTH REMAINS MODERATE
Annual growth rate of real GDP (in %)



Source: IMF WEO update (July 2013)

EXPANSIONARY MONETARY POLICIES SUPPORT FINANCIAL MARKETS

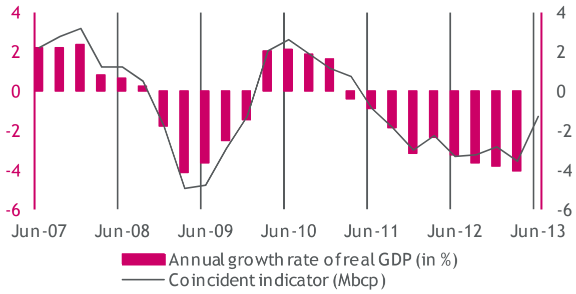


Source: Bloomberg

According to Statistics Portugal (INE), the Portuguese GDP recorded a contraction of 4% in the 1st quarter of 2013. Notwithstanding the measures aimed at reducing public expenditure and the increase of the tax burden, with an adverse impact on consumption and investment, the most recent indicators of activity suggest that the recessive context might have attenuated during the 2nd quarter, due to a great extent to the contribution of net exports. The favourable outcome of the regular reviews of the economic and financial adjustment program (PAEF) as well as the expectations that the ECB could use the Outright Monetary Transactions program (OMT) to purchase Portuguese medium-term sovereign debt contributed to improve the risk perception of Portuguese issuers in the financial markets, a circumstance that the Portuguese Treasury took advantage of to issue medium and longer-term government bonds.

The Polish and Romanian economies have recorded moderate growth rates due to the recessive impact of the processes of fiscal consolidation undertaken by both countries, an effect which nevertheless has been mitigated by the expansion of exports. The relative stability of the zloty has allowed the central bank of Poland to implement an aggressive cycle of interest rate cuts. As of Romania, the monetary authority has remained more cautious in easing monetary policy amid the trend of currency depreciation. According to the IMF, the fast growth pace expected for the Mozambican (7,0%) and the Angolan (6,2%) economies in 2013, underpinned by the mining industry and, in Angola, also by public investment, should both perform above the Sub-Saharan region average (5,1%). In June, the government of Mozambique asked for a new assistance program to the IMF for another three years, i.e. until 2016.

THE PACE OF CONTRACTION OF THE PORTUGUESE ECONOMY GATHERED SPEED



Source:Datastream and Millenniumbcp

Gross Domestic Product

Annual growth rate (in %)

	'10	'11	'12	'13	'14
European Union	2.0	1.7	-0.2	-0.1	1.2
Portugal	1.9	-1.6	-3.2	-2.3	0.6
Greece	-4.9	-7.1	-6.4	-4.2	0.6
Poland	3.9	4.5	1.9	1.3	2.2
Romania	-1.1	2.2	0.7	1.6	2.0
Sub-Saharan Africa	5.4	5.4	4.9	5.1	5.9
Angola	3.4	3.9	8.4	6.2	7.3
Mozambique	7.1	7.3	7.4	7.0	8.5

Sources: Eurostat, IMF WEO Database (april 2013) and WEO Update (july 2013)

IMF estimate

MAIN RISKS AND UNCERTAINTIES

This section highlights the risks that are most significant and capable of affecting the Bank's activity in the 2nd half of 2013, 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 the 2nd half of 2013.

Risks related to the economic and financial crisis of the Portuguese Republic

- BCP is highly sensitive to the evolution of the Portuguese economy, which is undergoing a process of far reaching reforms that might allow for some macroeconomic and political instability.
- The adjustment programme (PAEF) could not be enough to assure a gradual return to market funding for the public debt and financial institutions.
- The PAEF constitutes an important focus point for the evolution of the expectations of economic agents, with direct repercussion on economic activity, market behavior and business conditions faced by BCP.
- Alterations in the Portuguese government or in its policy may negatively influence BCP's activities.
- The Portuguese Republic may be subject to rating reviews by the rating agencies, with negative implications on the BCP's funding costs, business activity and profitability.
- The EC regulatory and supervision framework may condition the economic conjuncture and adversely influence BCP's operational activity.

Risks related to the sovereign debt in Europe

- The sovereign debt crisis of the euro zone constitutes a potential source of turbulence for the markets and evolution of economic activity, in general, with impact in BCP's activity.
- The Group's business and income have been, and will continue to be, negatively affected by the political uncertainty that surrounds the European sovereign debt crisis.
- BCP is exposed to Portuguese, Irish, Italian and Spanish sovereign debt.

Risks related to the volatility in global financial markets

- A further material decline in global capital markets could adversely affect the activity, results and value of strategic investments of BCP, as well as the value of assets included in the portfolio of the Group Pension Fund.
- The recent volatility in the financial markets, especially in the inter-banking and debt markets led to BCP's dependence on the ECB for funding.

Risks related to BCP's Business

- Reductions of BCP's credit rating could increase the cost of borrowing funds and make BCP's ability to raise new funds or renew maturing debt more difficult.
- BCP is exposed to credit risk and further deterioration of asset quality.
- BCP faces strong competition in its main areas of activity.
- In addition to its exposure to the Portuguese economy, BCP faces exposure to macroeconomic risks in its businesses in Europe (Poland and Romania) and Africa (Angola and Mozambique).
- In spite of the risk mitigation actions, BCP is still exposed to Greece.
- BCP is exposed to a contraction of the real estate market.
- The Group's highly liquid assets may not cover liabilities to its customer base.
- The results of additional stress tests could result in a need to increase capital or a loss of public confidence in the Group may occur.

- BCP's interest rate risk is at historically high levels, making it vulnerable to fluctuations in interest rates, which may negatively affect net interest income and lead to other adverse consequences.
- BCP is exposed to market risk, which may translate into the risk of devaluating the investment holdings or affect its trading results activities.
- The level of coverage of pension fund liabilities of BCP could turn out to be insufficient, which would lead to actuarial losses for the year, which are recognised against reserves for the year when they occur.
- BCP is subject to compliance risk, which may lead to claims of non-compliance and lawsuits by government agencies, regulatory agencies and other parties.
- BCP is subject to operational risks.
- BCP faces technological risks.
- BCP's financial models incorporate assumptions, judgments and estimates that may change over time or may not be accurate.
- Hedging operations carried out by BCP may not be adequate to prevent losses.
- BCP is exposed to contingent risks for the implementation of its strategy, and may not, totally or partially, achieve the objectives in its Strategic Plan 2012-2017.
- BCP may have to bear additional costs, especially with respect to staff costs, related to the implementation of the Strategic Plan for 2012-2017.
- Changes to tax legislation, regulations, higher taxes or lower tax benefits could have an adverse effect on BCP's activity.
- BCP's activity may be affected by potential changes in the regulatory framework of the banking activity, including, among other factors, in what concerns capital and liquidity requirements.

Risks related to BCP Recapitalisation Plan

- BCP issued hybrid instruments subscribed by the State that are remunerated at a high and growing cost and it does not have investments being paid at rates equal or higher to those and able of ensuring this payment. Therefore, there is the risk that BCP may not be able to ensure the payment of the interests and repayment of the issue, a fact that would imply the conversion of those amounts into shares and might render the State the majority shareholder of BCP.
- BCP's bonds guaranteed by the Portuguese Republic may entitle the Portuguese Republic to exercise certain management rights and to acquire Special Shares.
- The restructuring plan of BCP that is currently being appraised by the European Commission, the conditions and obligations of which BCP will have to observe to ensure the compatibility of the aid with the Treaty on the Functioning of the European Union ("TFEU"), may condition the strategic and operational flexibility of the Group and have an adverse effect on its activity, its competitive position and its results. Furthermore, the European Commission may impose obligations and conditions that are more penalising that the ones proposed in the Recapitalisation Plan and in the Decision.
- The Recapitalisation Plan may not be sufficient to meet BCP's future regulatory capital requirements and BCP may engage in further liability management transactions and/or require further support from the Portuguese Republic.

INFORMATION ON FUTURE TRENDS

The extremely adverse economic context resulting from the continuance of the economic and financial crisis initiated in 2007 brought new challenges to the banking industry. During the 1st six months of 2013, the crisis reached Cyprus and all classes of bank creditors were forced to participate in their bail out. In fact, this solution contributed to boost the desire to create the European Banking Union and, at the same time, increased the tensions in the international financial markets due to the accommodative monetary policy practiced in the main advanced economies, including, concerning the Euro, unconventional monetary policy measures.

Two years after the beginning of the Economic and Financial Aid Programme, the Portuguese economy registered a significant improvement in its external payments balance and in its budget deficit, in accordance with the Aid program, within a context of strong deceleration of the economic activity and increase of unemployment. However, the increase of tensions resulting from the contraction of the GDP, the increase of unemployment and the Government's need to implement new austerity measures to be able to comply with the public deficit goals of the Aid Program, led to increased political instability in Portugal. It is expected that, during the 2nd half of 2013, the demanding economic conditions existing in the peripheral countries will continue, particularly in Portugal, as a result of the continuing recessive environment, the increase in unemployment, the reduction of the families' available income and of deflationist pressures in economy acting on the market of products and services, the real estate sector and on wages. Moreover, the need for a second aid program for the Portuguese economy cannot be excluded yet. All these factors will continue to condition the banking industry.

During the 1st six months there has been a significant improvement in the commercial gap of the Portuguese banks and a strengthening of their solvency, a trend that should persist during the last six months of 2013. The last six months of 2013 shall be featured by the continuance of deleveraging (fewer volumes). At the same time efforts will be developed to recover the profitability within a context where default and past due loans increase. However, there are still important challenges to face concerning future profitability prospects. Banks are also facing the degradation of the quality of their assets and the consequent increase of impairment.

Banks had to face higher regulatory requirements on a European level, namely the increase of solvency ratios in 2013. In December 2011, EBA issued a recommendation appealing to the Domestic Authorities so that they request the pre-selected banks to constitute an exceptional and temporary buffer enabling them to attain a minimum Core Tier I ratio of 9% on 30 June 2012. There is some expectation on whether EBA is going to re-assess the public debt at market prices, which would enable the Portuguese banks that resorted to public funding to increase their Core Tier 1 ratio and improve the conditions under which they will repay the public investment. Until 2019, the banks will also have to adjust to a more complex and demanding regulatory environment (transition to Basel III).

Since 2008 Millennium bcp is executing a group of measures and initiatives aimed to reinforce its capital base, namely in what concerns the levels of share capital and equity, including liability management operations, assets management and the transfer of liabilities from the Pension Fund into the Social Security. The completion of the subscription by the State of hybrid instruments able of being qualified as Core Tier 1 capital, totalling 3 billion Euros on 29 June 2009, and the successful increase of share capital, by new cash entries subscribed by its shareholders exercising their legal preference rights and totalling 500 million Euros in October of 2009, materialize the compliance with the priority of achieving the financial strength defined in the 2012 management agenda. However, the issue of hybrid instruments poses new challenges to the management of net interest income and fees, operating costs and impairment.

It was reached an agreement between the European Commission and the Portuguese authorities regarding the Restructuring Plan for BCP.The restructuring plan agreed with the European Commission of the banks that resorted to public investment will be announced in the forthcoming weeks. The final version of the Plan includes improved profitability in Portugal through further significant efforts to reduce costs and clear focus on Bank’s core markets and businesses.

The global economic environment continues to generate volatility and aversion to risk on the part of the international investors and led to the closing of the wholesale funding markets making the European banking system more vulnerable and dependent on the funding granted by the European Central Bank (ECB). Within this context and with the purpose of replacing the short term funding, the banking institutions decided to massively resort to long term refinancing operations (LTRO) in order to limit the pressure exercised on their treasury. The Portuguese banks continue to depend on the availability of the

ECB to continue to meet the funding needs of the European banks, in particular of those of peripheral countries, in an unlimited manner.

STRATEGY

In September 2012, BCP presented a Strategic Plan composed of three phases for the next 5 years: i) Strengthening of the capital and liquidity position (underway during 2012-2013); ii) Creation of conditions to ensure growth and profitability (for implementation over 2014-2015); iii) Sustainable growth (from 2016 to 2017).

Stages	Priorities	Initiatives already implemented
Reinforcement of capital and liquidity position (2012-13)	Comfortable capital ratios Enhance liquidity position Provisions reinforcement Restructuring Plan in Portugal	Core tier I ratio reaches 12.5% Loan to deposit ratio already reaches 123% (according to BoP criteria) and net loans to BS customer funds ratio at 110%
Creating conditions for growth and profitability (2014-15)	Recovery of profitability in Portugal Continuos business development in Poland, Mozambique and Angola	Continuous reinforcement of balance sheet impairment charges Significant reduction in operating costs in Portugal, following the implementation of the restructuring program in 2012
Sustained growth (2016-17)	Sustained growth results with improved balance between domestic and international operations contributions	Sale of the Greek operation Agreement with DG Comp concerning the restructuring plan

Hence, the priorities of the 1st phase, which took place from 2012 to 2013, were the achievement of comfortable capital ratios, improvement of the liquidity position and strengthening of provisions.

During this period, BCP undertook a significant deleveraging effort, with loans and advances to customers (gross) having declined by 16 billion Euros and customer funds on the balance sheet having increased by 1.5 billion Euros. The commercial gap decreased by 14.5 billion Euros between December 2009 and June 2013, the ratio of loans and advances (gross) to customer funds on the balance sheet (Loans-to-On Balance Sheet Customer Funds ratio) fell from 152% in December 2009 to 117% in June 2013. The Bank had amortised 19.5 billion Euros of medium and long term debt by June 2013 and the use of ECB funding declined from 15 billion Euros in December 2010 to 11.6 billion in June 2013, of which 11 billion are LTRO (long term refinancing operations) with the objective of replacing short term funding.

The Core Tier 1 ratio increased from 6.4% in December 2009 to 12.5% in June 2013, benefiting from the reinforcement of Core Tier 1 by 3 billion Euros as a result of liability management operations (2011 and 2012) and issue of hybrid instruments (2012), in spite of the negative impacts of Greece and pension fund and the reduction of RWA by 17 billion Euros, arising from the deleveraging process and adoption of internal rating based (IRB) methodologies, despite the downgrade of ratings. The Bank implemented a Capitalisation Plan reflected in the issue of 3 billion Euros of hybrid instruments and a share capital increase of 500 million Euros.

In relation to the reinforcement of provisioning, allocations for impairment of the value of 3.503 billion Euros were carried during the period of 2010-end of June 2013. Part of this provisioning effort resulted from inspections conducted pursuant to the measures and actions agreed by the Portuguese authorities in relation to the financial system, under the Economic and Financial Assistance Programme established with the IMF, EU and ECB. Thus, the Special Inspection Programme (SIP) of the Bank of Portugal was reflected in the strengthening of provisioning by 381 million Euros, while the On-site Inspection Programme (OIP) covering exposure to the construction and real estate development sectors resulted in the strengthening of provisioning by 290 million Euros.

During the 2nd phase, the Bank intends to ensure the recovery of profitability in Portugal and the continued development of the business in Poland, Mozambique and Angola. The priority of the 3rd phase is the sustainable growth of net income, with an improved balance between the contributions of the other domestic and international operations.

It is the objective of BCP to create conditions of growth and profitability from 2014 to 2015 (2nd phase).

During 2013, the Bank intends to recover the profitability in Portugal through 3 areas of action: improve net interest income, reduce operating costs and decrease allocations for impairment. The improvement of net interest income should result from the reduction of the cost of deposits and the recomposition of the mix of the credit portfolio with greater focus on credit to SMEs and companies of the tradable sectors. The objective for operating costs should be achieved through administrative reorganisation, consisting of the simplification of the organisation, improvement of processes and optimisation of the capacity. Regarding allocations for impairment, the implementation of a new credit management model, covering the stages of its granting, monitoring and recovering, should lead to a reduction of the cost of risk. These actions should result in a recovery of profitability.

BCP has a unique international presence focused on key markets where our bussiness model add value and with a large population (Poland) or high rates of growth of the population's participation in the banking system (Mozambique and Angola). By the end of December 2012, these three operations represented 40% of the total branch network, 47% of total Employees, 19% of Turnover and 37% of Net Operating Revenues.

In Poland, Bank Millennium has a well distributed network of branches, supported on modern multi-channel infrastructure, reference service quality, high brand recognition, a robust capital base, comfortable liquidity and solid risk management and control. The principal initiatives consist of the exploration of new market opportunities in the corporate segment with strong focus on Medium-sized Enterprises and the expansion of consumer credit. Bank Millennium has already announced its Strategic Plan for 2013-2015.

Mozambique is a market of high growth of GDP, based on natural resources and with rates of expansion of the population's participation in the banking system that are above the regional average. The potential for credit expansion is significant.

Similarly, Angola is also a market of strong growth of GDP, based on the export of oil. However, the contribution of the non-oil sector to the expansion of GDP has been increasing, essentially as a result of the investment in major infrastructure and agriculture. Also in Angola, the rates expansion of the population's participation in the banking system are higher than the regional average.

Completion on June 19, 2013 of the sale of entire share capital of Millennium Bank Greece to Piraeus Bank, in accordance with the general conditions announced on April 22, 2013.

Financial Information

BCP SHARE

The equity markets began the year 2013 with significant appreciations. Highlightening the strong gains posted by the PSI20 Portuguese index, particularly in the financial sector, supported by the Portuguese Republic 5 year debt issue which took place in January and the Basel Committee's announcement of new rules to for the liquidity coverage ratio which became more flexible.

However the most main European indices had corrected in February, after the significant gains obtained on the 1st month of the year. A penalization resulting from the disclosure of unfavorable macroeconomic indicators for the Euro area in the 4th quarter of 2012 and the preliminary figures of the 1st months of this year, which point, in February, to an further contraction in the activity. Political instability in Italy added to the negative sentiment.

March was characterized by the international assistance to Cyprus and the continuation of the standoff in Italy, situations that have led to partial correction of valuations recorded since the beginning of the year by Iberian banks.

On the positive side, it is worth mentioning the revision of the outlook from S&P for Portugal from "negative" to "stable", the extension of term for the Portuguese and Irish debt, cut in the reference interest rates by the ECB, Portuguese debt issuance for the 10 year maturity and the European policy agenda focused on economic growth.

June was negative for the stock markets globally with the announcement of the end of economic stimulus by the FED. In Europe no sector has escaped to losses with the downward revision of forecasts for economic growth in the Euro zone and a new political crisis in Greece.

BCP Shares indicators

	Units	1H13	1H12
Adjusted prices			
Maximum price	(€)	0.115	0.119
Average annual price	(€)	0.101	0.082
Minimum price	(€)	0.077	0.052
Closing price	(€)	0.096	0.063
Shares and equity			
Number of ordinary shares	(M)	19,707.20	7,207.20
Shareholder's Equity attributable to the group	(M€)	2,785.10	3,354.30
Shareholder's Equity attributable to ordinary shares (1)	(M€)	2,612.90	3,182.70
Value per share			
Adjusted net income (EPS) (2) (3)	(€)	-0.05	-0.07
Book value	(€)	0.13	0.44
Market indicators			
Closing price to book value	(PBV)	0.72	0.22
Market capitalisation (closing price)	(M€)	1,891.90	706.30
Liquidity			
Turnover	(M€)	1,934.80	1,274.70
Average daily turnover	(M€)	15.5	10
Annual volume	(M)	19,187.70	8,865.60
Average daily volume	(M)	153.5	69.8
Capital rotation (4)	(%)	97.4	123

(1) Shareholder's Equity attributable to the group - Preferred shares - Subordinated Perpetual Securities issued in 2009 + treasury shares relative to preferred shares

(2) Considering the average number of shares minus the number of treasury shares in portfolio

(3) Adjusted net income considers the net income for the year minus the dividends of the preferred shares and Subordinated Perpetual Securities issued in 2009

(4) Total number of shares traded divided by the annual average number of shares issued

Absolute and Relative Performance

In the 1st Half the BCP share, despite fluctuations arising from this dynamic national and international environment, was the only security within the Portuguese banks that appreciated and the security which increased the most in the PSI 20, among companies with market capitalization exceeding a billion Euros.

BCP has registered an increase of 28.0% on the semester, against a decrease of 10.7% of the PSI Financials and 1.7% of the PSI20.

Although the the national and international environment dynamics, BCP was able to maintain the recovery trend already initiated in the last quarter of 2012. For this performance, contributed a better perception of risk associated to Portugal and also the risk mitigation resulting from the exposure to Greece, with the sale of the operation to Piraeus Bank and the 1st signs of the trend reversal in terms of the top line items.

Índex	Total Change 1st Half 2013
BCP share	28.0%
PSI20	-1.7%
PSI Financials	-10.3%
IBEX 35	-5.0%
ATHENS FTSE	-8.5%
MIB FTSE	0.0%
CAC 40	-6.4%
DAX XETRA	4.6%
FTSE 100	5.4%
Eurostoxx 600 Banks	-1.6%
Dow Jones Indu Average	13.8%
Nasdaq	12.7%
S&P500	12.6%

Source: Euronext, Reuters

Liquidity

Throughout the 1st half of 2013, the liquidity of the BCP share had been significantly increased, maintaining the position of the most traded share in the domestic market and also in Portuguese financial sector.

Around 19,188 million shares were traded during the 1st half of 2013, representing an increase of 95% over the same period of 2012, corresponding to a turnover of 154 million shares (76 million on the same period of 2012). The turnover of the share have been maintained in the highest level of PSI20 companies corresponding to 97% of the annual issued shares (50% on previous half).

Indices in which BCP shares are listed

BCP shares are listed in over 50 national and international stock market indices, from which the following might be highlighted:

Index	Weight (%)
Euronext PSI Financial	28.34%
PSI20	9.25%
Euronext 150	1.36%
NYSE Euronext Iberian	0.97%
Euro Stoxx Banks	0.54%

Source: Bloomberg

Furthermore, Millennium bcp is included in indices which include the companies with the best performance on matters of sustainability (environmental, social and governance):

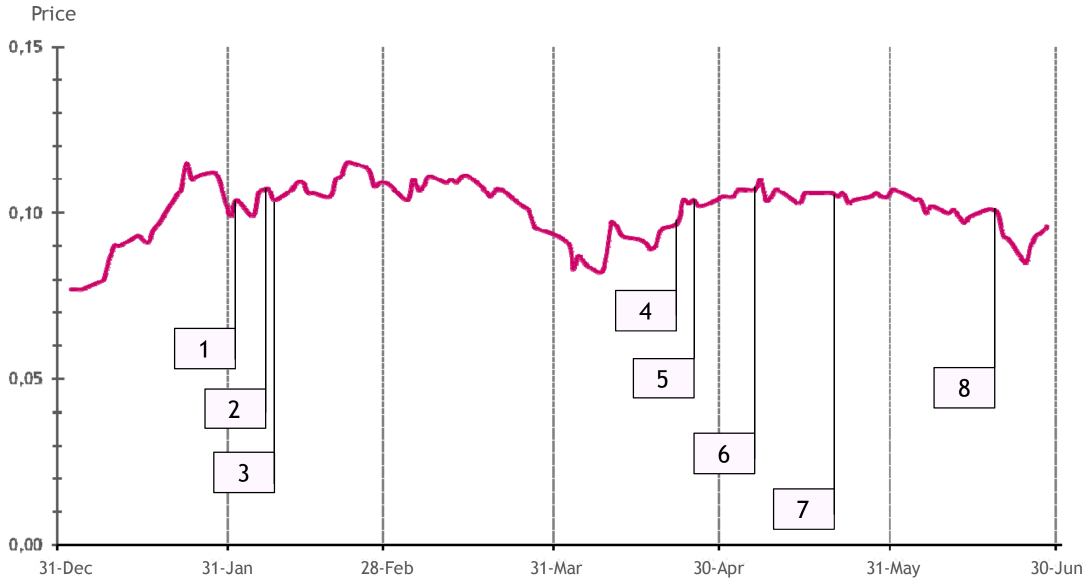
Sustainability Index	
	Euronext Vigeo Europe 120
	Ethibel Excellence Europe

Main Events and Impact on the Share Price

The table below summarizes the main events of 1st half 2013 directly related to Banco Comercial Português, the net change in the share price both the next day and 5 days later, as well as its relative evolution compared to the leading reference indices during the periods in question.

Nº	Date	Material events	Change +1D	Change vs. PSI20 (1D)	Change vs. DJS Banks (1D)	Change +5D	Change vs. PSI20 (5D)	Change vs. DJSB Banks (5D)
1	01/02/2013	Bank Millennium (Poland) Consolidated Results	-4.8%	-2.9%	-1.9%	0.0%	1.9%	0.3%
2	06/02/2013	Information about Millennium Bank in Greece	0.0%	0.4%	0.8%	1.9%	0.6%	-1.3%
3	08/02/2013	Consolidated Earnings Presentation 2012	2.9%	2.4%	3.5%	1.9%	2.0%	1.9%
4	22/04/2013	Disposal of Millennium Bank (Greece) to Piraeus Bank	7.2%	4.2%	4.0%	7.2%	0.2%	1.5%
5	25/04/2013	Bank Millennium (Poland) results in the 1st quarter of 2013	-1.9%	-0.5%	-2.0%	1.0%	1.0%	-1.4%
6	06/05/2013	First quarter of 2013 consolidated results	2.8%	1.9%	0.8%	-2.8%	-1.5%	-3.8%
7	20/05/2013	Resolutions of the Annual General Meeting	-0.9%	-0.6%	0.2%	-0.9%	-0.9%	3.3%
8	19/06/2013	Conclusion of the sale of Millennium Bank (Greece) to Piraeus Bank	-7.0%	-3.6%	-3.4%	-7.0%	-1.5%	-4.0%

The following graph illustrates the performance of BCP shares in the 1st half 2013:



DIVIDEND POLICY

Pursuant to the conditions of the issue of Core Tier I Capital Instruments underwritten by the State, under Law number 63-A/2008 and Implementing Order number 150-A/2012, the Bank cannot distribute dividends until the issue is fully reimbursed.

Monitoring of Investors and Analysts

BCP shares are covered by the leading national and international investment firms, which issue regular investment recommendations and price targets on the Bank.

The average price target of the investment firms that monitor the Bank showed an increase which reflects the improvement on risk perception for Portugal and also the mitigation of risk on the exposure to Greece, with the sale of the operation and the first signs of trend reversal in terms of results.

During the 1st half, the Bank participated in various events, having held roadshows at four major world financial centers – London, Paris, Boston and Toronto. The Bank also participated in eight conferences of investors, organised by other banks and entities, such as Banco Espírito Santo, Credit Suisse, Goldman Sachs, Banca IMI, Morgan Stanley, in NYSE Conference European Day in New York and Exane, where institutional presentations were made and one-to-one meetings were held with investors. During 1st half, 136 meetings were held with analysts and institutional investors.

Treasury Shares (*)

On December 31, 2012, Banco Comercial Português, SA did not hold treasury shares. During the 1st half of 2013, the bank did not make or purchase nor sale of own shares. Thus, on June 30, 2013, Banco Comercial Português, SA still does not hold any treasury shares.

(*) This excludes on June 30, 2012, 79,650,089 shares (31 December 2012: 85,018,572 shares) held by Customers which were financed by the Bank and, considering that for these clients there is evidence of impairment, under the IAS 32/39 the Bank's shares held by them were only for accounting purposes and in compliance with this standard, considered as treasury shares.

Shareholder Structure

According to the file received from the Central Security Depositary (CVM), as at June 30th 2013, the number of shareholders of Banco Comercial Português, reached 183,219. The Bank's Shareholder structure remains dispersed, as only six Shareholders own qualified holdings (over 2% of the share capital) and just one holds a stake above 5%. Is also noted the weight of individual shareholders, representing 38% of the capital.

Shareholder strcucture	Number of Shareholders	% of share capital
Group Employees	3,733	13.13%
Other individual Shareholders	173,987	25.64%
Companies	4,530	40.38%
Institutional	970	20.85%
Total	**183,220**	**100.00%**

Shareholders with over 5 million shares represent 63% of the share capital.

Number of shares per Shareholders	Number of Shareholders	% of share capital
> 5,000,000	181	62.54%
500,000 to 4,999,999	2,479	13.69%
50,000 to 499,999	25,461	17.37%
5,000 to 49,999	63,693	5.71%
< 5,000	91,406	0.70%
Total	**183,220**	**100.00%**

During the 1st half of 2013 there was an increase in the share capital percentage held by foreign Shareholders as at the end of 2012.

	National Shareholders		Foreign Shareholders	
Number of shares per Shareholder	Number	% of share capital	Number	% of share capital
> 5,000,000	115	23.10%	66	39.44%
500,000 a 4,999,999	2,336	12.68%	143	1.00%
50,000 a 499,999	24,695	16.78%	766	0.59%
5,000 a 49,999	62,155	5.57%	1,538	0.14%
< 5,000	88,275	0.68%	3,131	0.02%
Total	177,576	**58.80%**	5,644	**41.20%**

QUALIFIED HOLDINGS

As at 30 June 2013, the following shareholders held 2% or more of the share capital of Banco Comercial Português, S.A.:

Shareholder	Nr. of shares	% of share capital	% of voting rights
			30 June 2013
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	3,830,587,403	19.44%	19.44%
Total of Sonangol Group	**3,830,587,403**	**19.44%**	**19.44%**
Bansabadell Holding, SL	720,234,048	3.65%	3.65%
BANCO DE SABADELL, S.A.	121,555,270	0.62%	0.62%
Members of the management and supervisory bodies	41,242	0.00%	0.00%
Total of Sabadell Group	**841,830,560**	**4.27%**	**4.27%**
Fundação José Berardo	453,457,491	2.30%	2.30%
Metalgest - Sociedade de Gestão, SGPS, S.A.	148,750,692	0.75%	0.75%
Moagens Associadas S.A.	37,808	0.00%	0.00%
Cotrancer - Comércio e transformação de cereais, S.A.	37,808	0.00%	0.00%
Members of the management and supervisory bodies	37,242	0.00%	0.00%
Total of Berardo Group	**602,321,041**	**3.06%**	**3.06%**
EDP -Imobiliária e Participações, S.A	395,370,529	2.01%	2.01%
Fundo de Pensões EDP	193,473,205	0.98%	0.98%
Members of the management and supervisory bodies	1,049,778	0.01%	0.01%
Total of EDP Group	**589,893,512**	**2.99%**	**2.99%**
Estêvão Neves - SGPS, S.A.	429,802,351	2.18%	2.18%
Enotel - SGPS, S.A.	87,549,291	0.44%	0.44%
José Estêvão Fernandes Neves	35,913,921	0.18%	0.18%
Total of Estêvão Neves Group	**553,265,563**	**2.81%**	**2.81%**
Interoceânico - Capital, SGPS, S.A.	412,254,443	2.09%	2.09%
Members of the management and supervisory bodies	857,695	0.00%	0.00%
Total of Interoceânico Group	**413,112,138**	**2.10%**	**2.10%**
Total of Qualified Shareholders	**6,831,010,217**	**34.66%**	**34.66%**

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.

CAPITAL

Following the request submitted by Millennium bcp, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the activity in Portugal as from 31 December 2010. In the scope of the Roll-Out Plan for the calculation of capital requirements for credit and counterparty risk, the Bank of Portugal authorised the extension of this methodology to the subclasses of risk “Renewable Retail Positions” and “Other Retail Positions” in Portugal with effect as from 31 December 2011. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for "Corporates" exposures in Portugal and the adoption of IRB methodologies for “Loans secured by residential real estate” and “Renewable positions” of the Retail portfolio in Poland. In the 1st half of 2009, the Bank received authorization from the Bank of Portugal to adopt the advanced approaches (internal model) for generic market risk and the standard method for operational risk.

Capital requirements: calculation methods and scope of appliance

	30-06-2013	30-06-2012
Credit risk and counterparty credit risk		
PORTUGAL		
Retail	IRB Advanced	IRB Advanced
Corporates	IRB Foundation [2]	IRB Foundation [1]
POLAND		
Retail		
- Loans secured by residential real estate	IRB Advanced	Standardised
- Renewable positions	IRB Advanced	Standardised
OTHER EXPOSURES (all entities of the Group)	Standardised	Standardised
Market risk [3]		
Generic market risk in debt and equity instruments	Internal Model	Internal Model
Foreign exchange risk	Internal Model	Internal Model
Commodities risk and market risk in debt and equity instruments	Standardised	Standardised
Operational risk [4]	Standard	Standard

[1] Excluding exposures derived from the real estate promotion segment and simplified rating system, which are weighted by the Standardised approach.

[2] Calculated using own estimates of Credit Conversion Factors (CCF), except for exposures derived from the real estate promotion segment and simplified rating system, which are weighted by the Standardised approach.

[3] For exposures in the perimeter managed centrally from Portugal; for all other exposures the only approach applied is the Standardised method.

[4] The adoption of the Standard method of operational risk was authorised in 2009 for application on a consolidated basis.

Consolidated core tier I, calculated in accordance with Bank of Portugal’s rules, reached 12.5% as at 30 June 2013, having increased 40 basis points compared to 12.1% as reported at 30 June 2012 and above the minimum threshold defined by the Bank of Portugal (10%).

This performance was determined by the decrease in risk weighted assets, resulting from both the securitization operation performed in June 2013 and the deleveraging and optimization effort undertaken during that period.

Core tier 1 decreased by 639 million Euros in 30 June 2013, compared to 30 June 2012, with emphasis on:

- The additional reinforcement of core tier 1 through an increase in share capital by cash entries concluded in October 2012, with preferential shareholder rights, in the amount of 500 million Euros (+90 basis points in core tier 1 ratio);
- The hybrid instruments interest payment in the amount of 190 million Euros, after taxes, and the commission costs paid to the Portuguese State in the scope of the guarantees received for

the issuance of debt securities in the amount of 51 million Euros, after taxes (with a combined impact in core tier 1 of -43 basis points);

- The negative impact on the consolidated net income, related to the appropriation of the net income of the subsidiary in Greece regarding the 2nd semester of 2012 and the 1st five months of 2013 which came to 232 million Euros (-42 basis points in core tier 1 ratio);
- The unfavourable effects generated by the temporary investment in Piraeus Bank, considering the impairment loss recognized in June 2013 in the amount of 80 million Euros (-34 basis points in core tier 1 ratio including the effect on risk weighted assets);
- The impairment reinforcement undertaken within the scope of OIP in the amount of 206 million Euros, after taxes (-37 basis points in core tier 1 ratio);
- The unfavourable impact of the liability management operation recognized in the 2nd half of 2012 and in the 1st half of 2013 in the amount of 138 million Euros, after taxes (-25 basis points in core tier 1);
- The regulatory amortisation of the deferred adjustments related to the transition to IAS/IFRS, the change undertaken to the mortality table in 2005 and the actuarial losses recorded in 2008, in a total of 89 million Euros (-16 basis points in core tier 1 ratio);
- The negative impact of the pension fund arising from the actuarial differences, the changes in actuarial assumptions in 2012 and the variation of the pension fund corridor, which reached 28 million Euros, after taxes (-5 basis points in core tier 1 ratio);
- The increase on Millenniumbcp Ageas' fair value reserves in the amount of 87 million Euros, the increase of minority interests in the amount of 50 million Euros, the reversal of the impact of own credit risk on liabilities recognised at fair value in the positive amount of 24 million Euros and the negative foreign exchange differences in the amount of 22 million Euros, which were partially offset by the increase of deductions associated to deposits with high interest rates in the amount of 33 million Euros (total impact of +31 basis points on core tier 1);
- The impacts regarding the negative net income associated to the remaining activity came to 296 million Euros (-53 basis points in core tier 1 ratio).

The risk-weighted assets as of 30 June 2013 decreased 6,885 million Euros in comparison to 30 June 2012, mainly reflecting:

- The reduction of 3,852 million Euros arising from the sale of the Greek subsidiary, despite the increase of 928 million Euros generated by the temporary investment in Piraeus Bank;
- The favourable impact achieved with the synthetic securitization operation realised in June 2013, amounting 1,980 million Euros;
- The decrease of 1,606 million Euros supported on the continuous efforts of deleveraging and optimization and reinforcement of collaterals, despite the negative effect of the deterioration of some customers' credit risk during this period;
- The favourable impact of the adoption of own estimates of Credit Conversion Factors (CCF) for "Corporates" exposures in Portugal and IRB methodologies for "Loans secured by residential real estate" and for "Renewable positions" of the Retail portfolio in Poland, which at the end of 2012 amounted 375 million Euros.

In parallel, the core tier 1 ratio determined in accordance with EBA criteria reached 10.0% as at 30 June 2013, comparing favourably with the 9.7% ratio recorded as at 30 June 2012 (first reporting date for this ratio) and exceeded the defined minimum limit of 9%.

Core tier 1 of EBA is based on core tier 1 calculated according to Bank of Portugal's criteria, adjusted by the impact of the following items: i) deduction of 50% of both the value of significant investments held in shareholdings and the impairment shortfall in comparison to the expected losses of the exposures treated under IRB methodologies; and ii) the capital buffer set by EBA with reference to 30 September 2011 to cover sovereign risks, adjusted by the provisioning undertaken subsequently within the scope of the restructuring of the Greek public debt.

SOLVENCY

Million euros

	30 Jun 13	30 Jun 12
Risk weighted assets		
Credit risk	49,007	50,908
Risk of the trading portfolio	563	566
Operational risk	3,701	3,981
Total	53,271	55,640
Own funds		
Core Tier I	6,099	6,738
Preference shares and Perpetual Subordinated Debt Securities with Conditioned Coupons	99	172
Other deductions (1)	(382)	(515)
Tier I Capital	5,816	6,394
Tier II Capital	917	675
Deductions to Total Regulatory Capital	(149)	(139)
Total Regulatory Capital	6,584	6,930
Solvency ratios		
Core Tier I	12.5%	12.1%
Tier I	11.9%	11.5%
Tier II	1.6%	1.0%
Total	**13.5%**	**12.5%**
EBA Core Tier I ratio (2)	**10.0%**	**9.7%**

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

(2) Core Tier I ratio in accordance with the criteria of EBA. In this scope, the Core Tier I calculated in accordance with the rules of the Bank of Portugal was deducted of the "Other deductions (1)" and of the buffer to sovereign risks (Euro 848 million); the risk weighted assets have not been adjusted.

Note: the Bank received authorisation from the Bank of Portugal to adopt IRB approaches for the calculation of capital requirements for credit and counterparty risks, covering a substantial part of the risks from the activity in Portugal, as from 31 December 2010. Estimates of the probability of default and the loss given default (IRB Advanced) were used for retail exposures to small companies and exposures collateralised by commercial and residential real state, and estimates of the probability of default (IRB Foundation) were used for corporate exposures, 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, 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. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk "Corporates" in Portugal and the adoption of IRB methodologies for "Loans secured by residential real estate" and "Renewable positions" of the Retail portfolio in Poland. In the 1st half of 2009, the Bank received authorization from the Bank of Portugal to adopt the advanced approaches (internal models) for the generic market risk and the standard method for the operational risk.

FUNDING AND LIQUIDITY

During the 1st half of 2013, the Bank continued to implement its 2013 Liquidity Plan, which from the beginning assumed the postponing to 2014 of the return to the medium-long term capital markets, agreed with the "Troika", as determined by the Bank of Portugal during the 6th revision of the Funding and Capital Plan.

Accordingly, the deleveraging effort, materialised in a reduction of the commercial gap (evolution of net loans to customers and of customer deposits) by Euro 7.8 billion in the 1st half of 2012, allowed the Bank to fulfil the objective set in the Liquidity Plan of early redemption of a Euro 1.75 billion issue guaranteed by the State, accomplished at the end of June, and, simultaneously, ensured the maintenance of a liquidity buffer at very comfortable level, which stood at Euro 9.5 billion at the end of June 2013. The Bank considers the possibility of, by the end of the year, partially redeeming of existing own issues guaranteed by the State.

Additionally, it is worth noting that, in accordance with the decision from the ECB, announced at the end of the 1st quarter of 2013, the State guaranteed issues will lose the eligibility status on 1 March 2015, in the event they do not mature in the meantime.

During the 1st half of 2013, the Bank reimbursed medium-long term debt amounting to Euro 1.1 billion, completing the entire refinancing planned for 2013. Focused on the reduction of commercial gap, the increase of Euro 11.6 billion in the net funding from the Eurosystem resulted mainly from the evolution of the securities portfolio (which offset the impact, to a lesser extent, of the sale of the Greek operation on the ECB borrowing level).

The evolution of the liquidity position of the Bank allowed the early redemption of an LTRO tranche of Euro 1.0 billion, from a total of Euro 12.0 billion originally borrowed in Portugal, in order to increase flexibility in short-term treasury management.

RATINGS ASSIGNED TO BCP

In the 1st half of 2013, banking activity in the euro area continued to be developed in a particularly recessionary macroeconomic environment, with particular focus in the peripheral countries. The financial crisis in Cyprus, the political instability in Greece and more recently in Portugal, as well as the expectation that access to wholesale funding markets are not expected to normalize until 2014, as provided in the agreement with the troika, continued to constrain evolution of sovereign ratings.

The strengthening of solvency levels of Portuguese banks, following the fulfillment of regulatory impositions of EBA and the Bank of Portugal was perceived as positive by rating agencies but insufficient to change the perspective of rating's evolution, due to the reliance of the Republic's ratings and the challenges that banks face in terms of asset quality, profitability and the recovery of capital generation.

In the 1st six months of the year, BCP held the Annual Review Meetings with the four rating agencies:

On 28 June 2013, DBRS confirmed long and short-term ratings of Banco Comercial Português, SA at "BBB (low)" and "R-2 (middle)", respectively, and reduced the intrinsic rating of BCP from "BBB (low)" to "BB (high)". The Outlook remains negative.

On 10 July 2013, Fitch Ratings affirmed long and short-term ratings of Banco Comercial Português, SA at "BB +" and "B", maintaining the negative outlook.

Following the revision of Portuguese Republic's Outlook from "Stable" to "Negative" on 5 July 2013, S & P considered that the deteriorations of the political instability had additional risks for the Portuguese banking sector and on 11 July 2013 reduced the long-term rating of Banco Comercial Português, SA from "B +" to "B", confirming the short-term rating at "B", with "Negative" Outlook.

Moody's		**Standard & Poor's**	
Bank Financial Strenght	E	Stand-alone credit profile (SACP)	b-
Baseline Credit Assessment	caa2		
Adjusted Baseline Credit Assessment	caa2		
Deposits LT / ST	B1/NP	Counterparty Credit Rating LT / ST	B / B
Senior Unsecured LT	B1	Senior Secured LT / Unsecured LT	B / B
Outlook	Negative	Outlook	Negative
Subordinated Debt - MTN	(P) Caa3	Subordinated Debt	CCC-
Preference Shares	C (hyb)	Preference Shares	C
Other short term debt	P-1	Certificates of Deposits	B+ / B
		Commercial Paper	B
Fitch Ratings		**DBRS**	
Viability Rating	b	Intrinsic Assessment (IA)	BB (high)
Support	3		
Support Floor	BB+		
Deposits LT / ST	BB+ / B	Short-Term Debt & Deposit LT / ST	BBB (low) / R-2 (mid)
Senior unsecured debt issues LT	BB+	Trend	Negative
Outlook	Negative		
Subordinated Debt Lower Tier 2	B-	Dated Subordinated Notes	BB (high)
Preference Shares	CC		
Senior Debt Guaranteed by the Portuguese State	BB+	Senior Notes Guaranteed by the Republic of Portugal	BBB (low)
Commercial Paper	B	Commercial Paper	R-2 (mid)

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.

Following the conclusion on 19 June 2013 of the sale of the entire share capital of Millennium bank in Greece, in accordance with the general conditions announced, and according to IFRS 5, Millennium bank in Greece is now classified as a discontinued operation, with the impact on results presented on a separate line item in the profit and loss account, defined as income arising from discontinued operations and the profit and loss account was restated as at 30 June 2012, for comparative purposes. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Greece were not included as at 30 June 2013, but remained in the criteria considered as at 30 June 2012 and 31 December 2012.

Profitability Analysis

Net Income

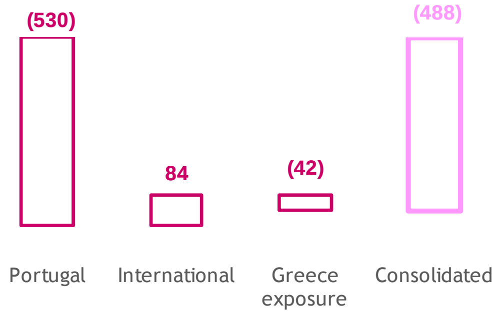
Millennium bcp's consolidated net income was negative by 488.2 million Euros in the 1st half of 2013, compared with a net loss of 544.3 million Euros posted in the 1st half of 2012.

Net income in the 1st half of 2013 includes, in particular, the impacts related to:

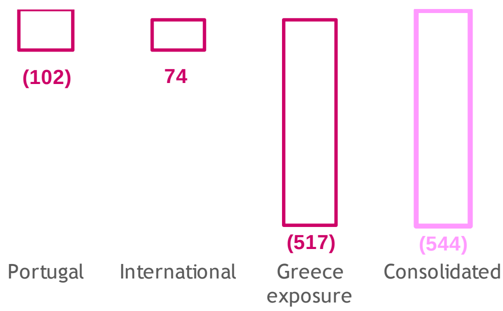
- the results of discontinued operations (Greece) and impairment associated with the subscription of ordinary shares of Piraeus Bank, in the global negative amount of 121.7 million Euros;
- the reinforcement of impairment and provisions, in the total amount of 631.1 million Euros;
- the negative effects on net interest income associated with the cost of the issuance of hybrid financial instruments (134.7 million Euros) and on net commissions of a cost related to the issuance, by the Bank, of debt securities guaranteed by the Portuguese Republic (35.4 million Euros); and
- the negative impact on net trading income related to the sale of loans, in the amount of 53.6 million Euros.

Compared with the 1st half of 2012, net income was mostly influenced by the activity in Portugal, hindered by the performance of net interest income, net trading income and by the level of impairment charges for loan losses and for other impairment and provisions, despite the reduction in operating costs.

NET INCOME IN THE FIRST HALF OF 2013
Million euros



NET INCOME IN THE FIRST HALF OF 2012
Million euros



Net income associated with the international activity, excluding Greece, showed an increase of 12.7%, from the 1st half of 2012, essentially supported by the growth in net operating revenues and the reduction in operating costs, highlighting the favourable performance in the subsidiary companies in Poland and in Angola.

Bank Millennium in Poland presented a net income of 60.5 million Euros in the 1st half of 2013, showing an increase compared to the 52.5 million Euros registered in the same period of 2012, reflecting (i) banking income favourable evolution, that benefited from trading results and commissions performance, in spite of net interest income evolution, associated with the impact of market interest rates decrease, and (ii) the slight decrease of operating costs.

Millennium bim in Mozambique recorded a net income of 40.5 million Euros in the 1st half of 2013, which compares with 46.1 million Euros booked in the same period of 2012. This unfavorable evolution was due to the performance of: (i) net interest income, penalised by the impact of reference interest rates decrease; (ii) trading results; and of (iii) operating costs, influenced by the branches' expansion plan, despite commissions' positive contribution.

Net income generated by Banco Millennium Angola increase to 18.3 million Euros in the 1st half of 2013, from 17.3 million Euros registered in the same period of 2012. This increase primarily resulted from commissions' positive performance, which more than offset the impact of government bonds' interest rates reduction, that contributed to net interest income decrease, and the effective income tax rate increase, as interest from new public debt issues are subject to tax since de beginning of 2013.

Banca Millennium in Romania registered a negative net income of 3.5 million Euros in the 1st half of 2013, that compares with a negative net income of 6.5 million Euros in the same period of 2012, due to (i) banking income good performance, which mainly benefited from net interest income favourable evolution (influenced by loans to customers volume increase and cost of deposits decrease), together with (ii) operating costs reduction.

Millennium Banque Privée in Switzerland booked a net income of 3.8 million Euros in the 1st half of 2013, which compares with a net income of 1.4 million Euros in the same period of 2012, due to the favourable evolution of commissions and other operating income and to savings on operating costs, in spite of net interest income unfavourable performance, associated with market interest rates decrease.

Millennium bcp Bank & Trust in the Cayman Islands presented a net income of 7.8 million Euros in the 1st half of 2013, while in the same period of 2012 net income reached 5.4 million Euros. This increase benefited from banking income performance, mainly influenced by the positive evolution of net interest income and commissions.

INCOME STATEMENT

Million euros

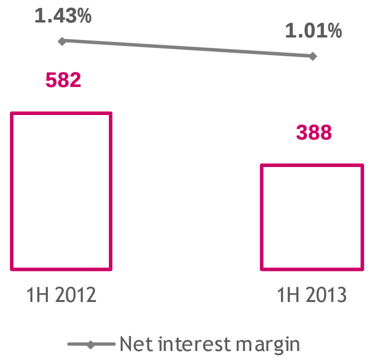
	30 Jun. 13	30 Jun. 12	Change 13/12
Net interest income	388.1	582.1	-33.3%
Other net income			
Dividends from equity instruments	1.5	3.6	-
Net commissions	338.6	334.8	1.1%
Net trading income	56.8	307.4	-
Other net operating income	(24.8)	(26.2)	-
Equity accounted earnings	30.6	30.2	1.3%
	402.7	649.8	-38.0%
Operating costs			
Staff costs	344.2	325.0	5.9%
Other administrative costs	233.6	263.0	-11.2%
Depreciation	34.5	38.4	-10.1%
	612.3	626.4	-2.3%
Impairment			
For loans (net of recoveries)	476.5	466.5	2.1%
Other impairment and provisions	234.6	107.0	119.2%
Income before income tax	(532.5)	32.1	
Income tax			
Current	36.2	38.2	-5.0%
Deferred	(166.3)	(18.0)	-
Income after income tax from continuing operations	(402.4)	11.9	-
Income arising from discontinued operations	(41.7)	(516.7)	-
Non-controlling interests	44.0	39.5	11.4%
Net income attributable to shareholders of the Bank	(488.2)	(544.3)	-

Net Interest Income

Net interest income totalled 388.1 million Euros in the 1st half of 2013, which compares with 582.1 million Euros in the 1st half of 2012, hindered by the impact of the issuance of hybrid financial instruments subscribed by the Portuguese State, for which interest expenses accounted in the 1st half of 2013 amounted to 134.7 million Euros.

Net interest income over the period was influenced by the unfavourable business volume effect, essentially in Portugal, reflecting the adverse macroeconomic environment and the consequent retraction of credit demand by individuals and companies. Even so, the Bank continued to support customers in achieving sustainable business plans, providing access to credit lines aimed at reinforcing investment and strengthening the productive capacity in different sectors of the economy.

NET INTEREST INCOME
Milllion euros



In addition, the performance of net interest income continued to be restrained by the unfavourable interest rate effect, influenced by market historically low interest rates, despite continued efforts to reprice loan operations, in order to adjust financing costs to customer risk profiles, and the favourable effect from the gradual reduction in the cost of term deposits.

In the 2nd quarter of 2013, benefiting from the decrease in the cost of term deposits, net interest income in the activity in Portugal showed an increase of 21.1% from the 1st quarter of 2013.

In the international activity, net interest income evolution was restrained by the performance of the subsidiary companies in Poland and Mozambique.

The net interest margin stood at 1.01% in the 1st half of 2013, which compares with 1.43% in the same period in 2012.

AVERAGE BALANCES

Million euros

	30 Jun. 13		30 Jun. 12	
	Balance	Yield %	Balance	Yield %
Deposits in banks	4,472	1.46	6,206	1.63
Financial assets	13,414	3.49	10,479	4.63
Loans and advances to customers	58,248	3.98	63,565	4.70
Interest earning assets	**76,134**	**3.75**	**80,250**	**4.45**
Discontinued operations and non-current assets held for sale (1)	2,852		3,521	
Non-interest earning assets	9,158		8,515	
	88,144		**92,286**	
Amounts owed to credit institutions	14,578	1.13	18,290	1.38
Amounts owed to customers	46,576	2.39	45,993	3.30
Debt issued and financial liabilities	12,869	3.69	16,097	3.64
Subordinated debt	4,328	7.61	1,201	5.54
Interest bearing liabilities	**78,351**	**2.65**	**81,581**	**2.97**
Discontinued operations and non-current liabilities associated with assets held for sale (1)	3,097		3,192	
Non-interest bearing liabilities	2,845		3,095	
Shareholders' equity and non-controlling interests	3,851		4,418	
	88,144		**92,286**	
Net interest margin		1.01		1.43

Note: Interests related to hedge derivatives were allocated, in June 2013 and 2012, to the respective balance sheet item.

(1) Includes the activity of the Greek subsidiary and consolidation adjustments.

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 402.7 million Euros in the 1st half of 2013, compared with 649.8 million Euros in the 1st half of 2012. This evolution was mainly determined by the performance of net trading income. Other net income was influenced by the activity in Portugal, while showed a favourable evolution in the international activity.

OTHER NET INCOME

Million euros

	30 Jun. 13	30 Jun. 12	Change 13/12
Dividends from equity instruments	1.5	3.6	-58.8%
Net commissions	338.6	334.8	1.1%
Net trading income	56.8	307.4	-81.5%
Other net operating income	(24.8)	(26.2)	
Equity accounted earnings	30.6	30.2	1.3%
Total other net income	402.7	649.8	-38.0%
Of which:			
Portugal activity	214.9	488.6	-56.0%
Foreign activity	187.8	161.2	16.5%

Income from Equity Instruments

Income from equity instruments, which include dividends received from investments in financial assets available for sale, totalled 1.5 million Euros in the 1st half of 2013, compared with 3.6 million Euros posted in the 1st half of 2012. Income from equity instruments posted in the 1st half of 2012 and 2013 comprise essentially the income associated to the Group's investments in shares and in investment fund units.

Net Commissions

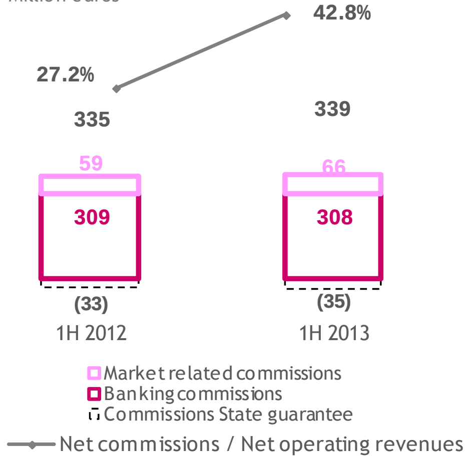
Net commissions amounted to 338.6 million Euros in the 1st half of 2013, which compares with 334.8 million Euros posted in the same period in 2012. Net commissions include the cost associated with the guarantee granted by the Portuguese State to debt securities issued by the Bank. Excluding this impact, net commissions increased 1.5% from the 1st half of 2012.

The performance of net commissions in the 1st half of 2013 essentially reflects:

- the increase in net commissions related to the financial markets (+11.0%), benefiting from operations with securities and asset management. This evolution reflects the increase of 12.6% in the international activity, sustained by overall international operations, and the rise of 9.4% in the activity in Portugal; and
- the decrease in net commissions associated with the banking business (-0.3%), due to the lower levels of activity in Portugal, despite the increase of 14.8% in the international activity.

NET COMMISSIONS

Million euros



The evolution of net commissions, between the 1st and the 2nd quarters of 2013, posted a growth of 7.6%, sustained by the performance of commissions associated with both banking business and financial markets.

NET COMMISSIONS

Million euros

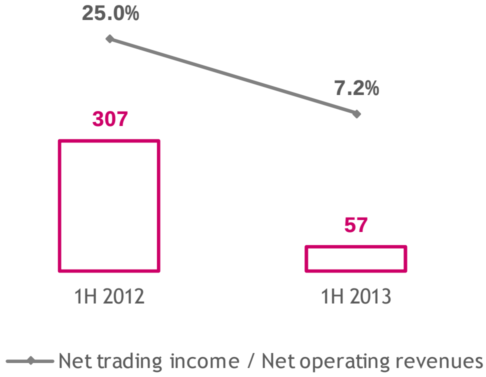
	30 Jun. 13	30 Jun. 12	Change 13/12
Banking commissions	308.2	309.0	-0.3%
Cards	89.1	85.9	3.8%
Credit and guarantees	76.4	90.3	-15.4%
Bancassurance	36.7	35.6	3.1%
Other commissions	106.1	97.2	9.0%
Market related commissions	65.7	59.2	11.0%
Securities	42.9	39.3	9.1%
Asset management	22.8	19.9	14.5%
Commissions related with the State guarantee	(35.4)	(33.4)	-
Total net commissions	338.6	334.8	1.1%
Of which:			
Portugal activity	219.7	230.7	-4.8%
Foreign activity	118.9	104.1	14.2%

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, stood at 56.8 million Euros in the 1st half of 2013, which compares with 307.4 million Euros in the same period in 2012.

The performance of net trading income, in the 1st half of 2013, was mostly influenced by the activity in Portugal, which includes, in particular, the negative effect related to the sale of loans, in the amount of 53.6 million Euros, while, in the 1st half of 2012, capital gains were booked in the amount of 184.3 million Euros, related to the repurchase of debt securities issued by the Bank.

NET TRADING INCOME
Million euros



In the international activity, the evolution of net trading income benefited mainly from the results associated with derivative financial instruments, boosted by the increase in the subsidiary company in Poland.

NET TRADING INCOME

Million euros

	30 Jun. 13	30 Jun. 12	Change 13/12
Foreign exchange activity	50.2	45.5	10.4%
Trading, derivative and other	6.6	261.9	-97.5%
Total net trading income	56.8	307.4	-81.5%
Of which:			
Portugal activity	(0.5)	255.5	
Foreign activity	57.3	51.9	10.3%

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 24.8 million Euros in the 1st half of 2013, which compares with net losses of 26.2 million Euros in the same period in 2012, and comprises the specific banking sector contribution and the resolution fund contribution introduced in 2013.

The stabilisation of other net operating income was influenced, on the one hand, by the reduction showed in the activity in Portugal and, on the other, by the increase posted in the international activity, benefiting from the gains obtained from the sale of real estate during the 1st half of 2013.

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, totalled 30.6 million Euros in the 1st half of 2013 (30.2 million Euros in the same period of 2012).

Operating Costs

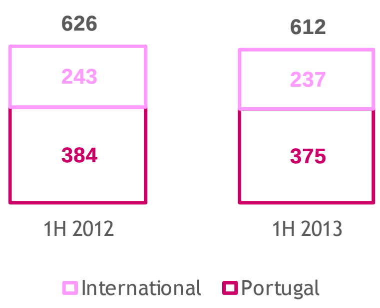
Operating costs, which include staff costs, other administrative costs and depreciation costs, stood at 612.2 million Euros in the 1st half of 2013, down from 626.3 million Euros in the same period in 2012.

The evolution of operating costs was affected by the following:

– the accounting of costs related with the restructuring programme, in particular early retirements and indemnities, in the global amount of 11.2 million Euros in the 1st half of 2013 (2.7 million Euros in the 1st half of 2012); and

– the favourable impact of the legislative change related to mortality allowance, in the amount of 7.5 million Euros in the 1st half of 2013 (64.0 million Euros in the 1st half of 2012).

OPERATING COSTS
Million euros



Excluding these impacts, operating costs declined 11.5%, reflecting the decrease in expenses associated with staff costs, other administrative costs and depreciation.

OPERATING COSTS

Million euros

	30 Jun. 13	30 Jun. 12	Change 13/12
Staff costs (1)	340.5	386.3	-11.9%
Other administrative costs	233.6	263.0	-11.2%
Depreciation	34.5	38.4	-10.1%
	608.5	**687.6**	-11.5%
Specific items			
Restructuring programme	11.2	2.7	
Legislative change related to mortality allowance	(7.5)	(64.0)	
Operating costs	**612.2**	**626.3**	**-2.3%**
Of which:			
Portugal activity (1)	371.6	445.1	-16.5%
Foreign activity	236.9	242.5	-2.3%

(1) Excludes the impact of specific items presented in the table.

In the activity in Portugal, operating costs include the abovementioned effects. Excluding those impacts, operating costs declined 16.5% from the 1st half of 2012, supported by lower staff costs, reflecting the plan to decrease the number of employees implemented in 2012. Additionally, operating costs benefited from the reduction in both other administrative costs, as a result of the cost containment initiatives implemented, and depreciation, following the gradual end of the period of depreciation of investments.

In the international activity, operating costs were down by 2.3% from the 1st half of 2012, benefiting from the reduction of costs posted by the subsidiary company in Poland, which more than offset the evolution in Millennium bim in Mozambique and in Banco Millennium Angola, as a result of the organic growth strategy implemented in those two African markets.

Staff Costs

Staff costs stood totalled 344.2 million Euros in the 1st half of 2013 (325.0 million Euros in the same period in 2012). However, excluding the previously mentioned impacts, staff costs stood at 340.5 million Euros in the 1st half of 2013, a decrease of 11.9%, when compared with 386.3 million Euros posted in the same period of 2012.

This evolution in staff costs was influenced by the activity in Portugal (-16.7%), together with the reduction of 0.9% in the international activity.

In the international activity, staff costs reflected the reduction posted by the operation in Poland, notwithstanding the increase in the subsidiary companies in Angola and Mozambique.

STAFF COSTS

Million euros

	30 Jun. 13	30 Jun. 12	Change 13/12
Salaries and remunerations	264.5	289.0	-8.5%
Social security charges and other staff costs (1)	55.0	69.8	-21.1%
	340.5	**386.3**	-11.9%
Specific items			
Restructuring programme	11.2	2.7	
Legislative change related to mortality allowance	(7.5)	(64.0)	
	344.2	**325.0**	**5.9%**

(1) Excludes the impact of specific items presented in the table.

Other Administrative Costs

Other administrative costs reduced 11.2% to 233.6 million Euros in the 1st half of 2013, from 263.0 million Euros in the 1st half of 2012, benefiting from the impact of rationalisation and cost containment initiatives implemented by the Group, in particular the resizing of the branch network in Portugal (-65 branches, from the end of June 2012), aiming to rationalise the distribution network under the restructuring program implemented in 2012. From the 1st half of 2012, it is worth noting the savings achieved in most line items, in particular, specialised services, communication, advertising & sponsorship and rent.

In the activity in Portugal, other administrative costs fell by 16.4%, reflecting the savings obtained in the line items above mentioned, while in the international activity costs decreased 3.7%, as a result of the containment in expenses posted by most of the international subsidiaries, in particular in Poland and Angola.

OTHER ADMINISTRATIVE COSTS

Million euros

	30 Jun. 13	30 Jun. 12	Change 13/12
Water, electricity and fuel	10.9	11.6	-6.3%
Consumables	2.8	3.5	-19.3%
Rents	65.7	68.0	-3.3%
Communications	15.4	20.8	-26.0%
Travel, hotel and representation costs	5.0	6.1	-18.0%
Advertising	13.5	17.0	-20.6%
Maintenance and related services	15.6	18.8	-16.9%
Credit cards and mortgage	2.6	7.1	-63.1%
Advisory services	7.8	6.8	14.8%
Information technology services	9.8	11.8	-17.1%
Outsourcing	38.6	41.0	-5.8%
Other specialised services	14.7	16.2	-9.7%
Training costs	0.6	1.3	-54.1%
Insurance	2.9	3.7	-21.3%
Legal expenses	4.0	4.2	-3.8%
Transportation	5.3	5.4	**-1.3%**
Other supplies and services	18.4	19.9	**-7.2%**
	233.6	**263.0**	**-11.2%**

Depreciation

Depreciation costs stood fell 10.1%, from 38.4 million Euros in the 1st half of 2012 to 34.5 million Euros in the 1st half of 2013.

This decrease in depreciation costs was mostly influenced by the activity in Portugal, which showed a reduction of 15.3% from the 1st half of 2012, due to the lower level of depreciation associated with buildings and equipment.

In the international activity, depreciation costs fell by 3.7%, from the 1st half of 2012, benefiting from the reduction in the level of depreciation costs in most of the international subsidiaries, in particular by the slowing down of the depreciation level in Banco Millennium Angola, despite the increases at Millennium bim in Mozambique and Bank Millennium in Poland.

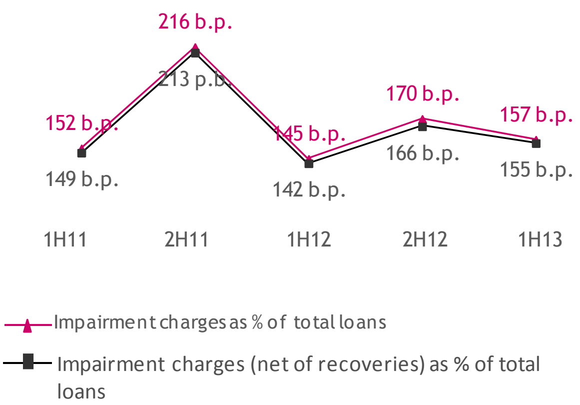
Loan Impairment and Credit Recoveries

Impairment for loan losses (net of recoveries) stood at 476.5 million Euros in the 1st half of 2013, which compares with 466.5 million Euros in the same period in 2012.

The impairment charges for loan losses, in the 1st half of 2012, include an additional impairment charge posted in the 2nd quarter, associated, in a large extent, to the anticipation of the reinforcement of impairment charges for credit risks originally planned for the 2nd half of the year.

The performance of impairment charges for loan losses was mostly driven by the evolution of the activity in Portugal, while in the international activity, the impairment for loan losses (net of recoveries) showed a decrease, reflecting primarily the lower charges posted by the activity developed in Poland.

PROVISIONING EFFORT



Note: adjusted to the actual consolidation perimeter.

The cost of risk stood at 155 basis points in the 1st half of 2013, compared with 142 basis points in the 1st half of 2012 (excluding Millennium bank in Greece).

LOAN IMPAIRMENT CHARGES (NET OF RECOVERIES)

Million euros

	30 Jun. 13	30 Jun. 12	Chan. % 13/12
Loan impairment charges	482.8	475.5	1.5%
Credit recoveries	6.3	9.0	-29.9%
	476.5	466.5	2.1%
Cost of risk:			
Impairment charges as a % of total loans	157 b.p.	145 b.p.	12 b.p.
Impairment charges (net of recoveries) as a % of total loans	155 b.p.	142 b.p.	13 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, and charges for other provisions.

Other impairment and provisions totalled 234.6 million Euros in the 1st half of 2013, which compares with 107.0 million Euros in the same period in 2012.

This evolution was influenced by the reinforcement of provisions for guarantees and other commitments, in the amount of 51.2 million Euros, and by the provision charges for other risks in the amount of 80.0 million Euros posted in the 1st half of 2013, related to the subscription of ordinary shares of Piraeus Bank, as part of the sale process of Millennium bank in Greece.

Income Tax

Income tax (current and deferred) totalled 130.1 million Euros in the 1st half of 2013, which compares with a loss of 20.1 million Euros in the 1st half of 2012.

The income tax item includes current tax in the amount of 36.2 million Euros (38.2 million Euros in the 1st half of 2012), net of a deferred tax asset in the amount of 166.3 million Euros (18.0 million Euros in the 1st half of 2012).

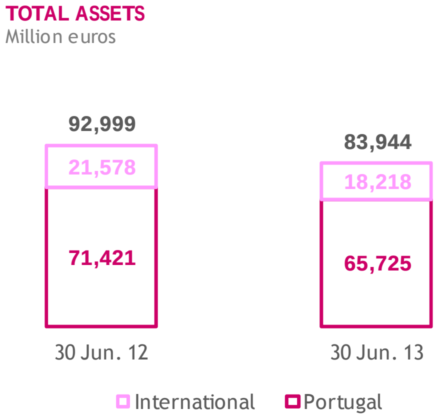
Non-controlling Interests

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 44.0 million Euros in the six months ended 30 June 2013, which compares with 39.5 million Euros in the six months ended 30 June 2012.

REVIEW OF THE BALANCE SHEET

Total assets stood at 83,944 million Euros as at 30 June 2013 (92,999 million Euros as at 30 June 2012 and 89,744 million Euros as at 31 December 2012), influenced by the impact of the sale of Millennium bank in Greece, with the corresponding reflection in all line items of assets and liabilities of the consolidated balance sheet.



Loans to customers, before impairment, stood at 61,401 million Euros as at 30 June 2013 (70,317 million Euros as on the same date in 2012), which, considering the current consolidation perimeter, compares with 65.514 million Euros as at 30 June 2012. This performance was mainly influenced by the activity in Portugal, as evidenced a stabilisation 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 15,235 million Euros as at 30 June 2013, which compares with 13,017 million Euros posted on the same date in 2012 (14.488 million Euros as at 31 December 2012), representing 18.1% of total assets as at the end of June 2013 (14.0% as at 30 June 2012). This evolution was essentially determined by the increase in financial assets available for sale, despite the reduction in both financial assets held to maturity and financial assets held for trading.

Total liabilities reduced to 80,527 million Euros as at 30 June 2013, from 89,053 million Euros on the same date in 2012 (85,744 million Euros as at 31 December 2012). Considering the actual consolidation perimeter, total liabilities slightly decreased from the end of December 2012, essentially influenced by the reduction in debt securities issued, in particular the early redemption of a 1.75 billion Euros issue guaranteed by the State, and by financial liabilities held for trading, despite the increases posted by other financial liabilities at fair value through profit or loss and by subordinated liabilities.

Considering the actual consolidation perimeter, balance sheet customer funds were up by 1.1% to 52,474 million Euros as at 30 June 2013, from 51,883 million Euros on the same date in 2012, reflecting the continuous focus to retain and further increase stable funding and to reduce commercial gap.

Total equity evidenced an evolution from 3,946 million Euros as at 30 June 2012 to 3,417 million Euros as 30 June 2013. This evolution mainly reflects, on the one hand, the effect of the Bank's capital increase by 500 million Euros, completed during the 2nd half of 2012 and, on the other, the impact of the recording of negative net income in the period.

BALANCE SHEET AS AT 30 JUNE 2013 AND 2012 AND 31 DECEMBER 2012

Million euros

	30 Jun. 13	31 Dec. 12	30 Jun. 12	Change 13/12
Assets				
Cash and deposits at central banks and loans and advances to credit institutions	4,539	6,298	8,150	-44.3%
Loans and advances to customers	57,866	62,618	66,202	-12.6%
Financial assets held for trading	1,588	1,691	2,008	-20.9%
Financial assets available for sale	10,301	9,223	7,221	42.6%
Financial assets held to maturity	3,222	3,569	3,742	-13.9%
Investments in associated companies	531	517	415	28.1%
Non current assets held for sale	1,278	1,284	1,089	17.4%
Outros ativos tangíveis, *goodwill* e ativos intangíveis	813	885	868	-6.3%
Current and deferred tax assets	1,885	1,789	1,599	17.9%
Other (1)	1,921	1,869	1,705	12.6%
Total Assets	**83,944**	**89,743**	**92,999**	-9.7%
Liabilities				
Deposits from Central Banks and from other credit institutions	14,571	15,266	17,796	-18.1%
Deposits from customers	47,464	49,390	47,974	-1.1%
Debt securities issued	10,325	13,548	14,721	-29.9%
Financial liabilities held for trading	1,090	1,393	1,510	-27.8%
Other financial liabilities at fair value through profit or loss	721	329	237	204.1%
Subordinated debt	4,459	4,299	4,207	6.0%
Other (2)	1,898	1,519	2,608	-27.3%
Total Liabilities	**80,528**	**85,744**	**89,053**	-9.6%
Equity				
Share capital	3,500	3,500	3,000	16.7%
Treasury stock	(17)	(14)	(11)	-
Share premium	-	72	72	-
Preference shares	171	171	171	-
Other capital instruments	10	10	10	-
Reserves and retained earnings	(391)	853	657	-
Net income for the period attributable to shareholders	(488)	(1,219)	(544)	-10.3%
Total equity attributable to Shareholders of the bank	**2,785**	**3,373**	**3,355**	-17.0%
Non-controlling interests	631	628	592	6.7%
Total Equity	**3,416**	**4,001**	**3,947**	-13.4%
Total Liabilities and Equity	**83,944**	**89,745**	**93,000**	-9.7%

(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.

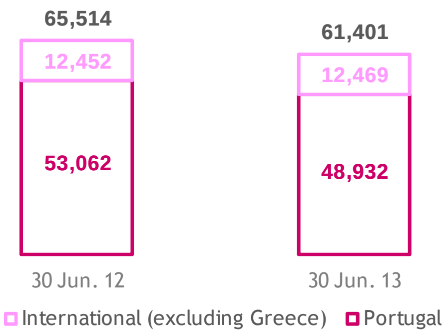
Loans to customers

Loans to customers (gross) stood at 61,401 million Euros as at 30 June 2013 (70,317 million Euros as at 30 June 2012 and 66,861 million Euros as at 31 December 2012). Considering the current consolidation perimeter, loans to customers (gross) totalled 65,514 million and 62,151 million Euros as at 30 June 2012 and 31 December 2012, respectively.

From the end of December 2012, excluding the mentioned impact of the sale of the Greek operation, the portfolio of loans to customers showed a decrease of 1.2%, evidencing greater dynamism in lending in the 1st half of 2013.

This evolution of the loans portfolio was influenced by

LOANS AND ADVANCES TO CUSTOMERS (*)
Million euros



(*) Before impairment

the activity in Portugal (-1.3%) and by the stabilisation in the international activity, from 31 December 2012, excluding the impact of the sale of Millennium bank in Greece, showing, on the one hand, the decrease in the loans portfolio in the subsidiaries in Switzerland and Cayman and, on the other, the growth at Millennium bim in Mozambique, Bank Millennium in Poland and Banco Millennium Angola.

The performance of loans to customers reflects the decrease in loans to individuals (-2.6%), despite the increase in loans to companies (+0.2%), from 31 December 2012. This evolution was driven by the activity in Portugal, which, notwithstanding the aforementioned dynamism in lending, was restrained by the lower credit demand from economic agents, associated with the perception of the permanent nature of the current process of fiscal adjustment and consolidation, with an impact on both the reduction of the consumption of durable goods which is a component more sensitive to the economic cycle, and the postponement of investment decisions by companies, given the recognised existence of underused productive capacity in some sectors and the need to reduce debt levels.

In this context, Millennium bcp continued to support Portuguese companies to achieve sustainable business plans, highlighting the access to lines of credit focused on investment and on the reinforcement of the production capacity in different sectors of the economy. In fact, in the activity in Portugal loans to companies posted an increase during the 1st half of 2013.

The structure of the portfolio of loans to customers showed identical levels of diversification, between the end of June 2012 and the end of June 2013, with loans to companies representing slightly more than 50% of total loans to customers, as at 30 June 2013.

LOANS TO CUSTOMERS (GROSS)

Million euros

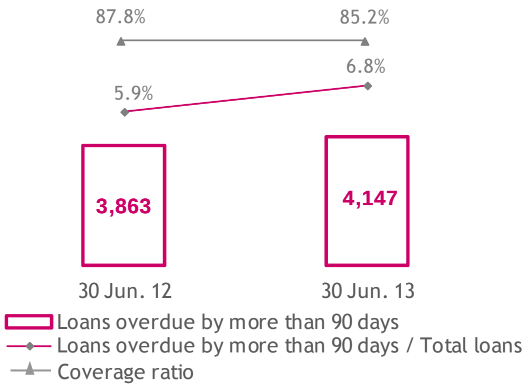
	30 Jun. 13	30 Jun. 12	Change 13/12
Individuals	**30,477**	**31,946**	**-4.6%**
Mortgage	26,822	28,052	-4.4%
Consumer	3,655	3,894	-6.1%
Companies	**30,924**	**33,568**	**-7.9%**
Services	12,523	13,323	-6.0%
Commerce	3,340	3,459	-3.4%
Construction and other	15,061	16,786	-10.3%
Total excluding Greece	**61,401**	**65,514**	**-6.3%**
Millennium bank in Greece	--	4,803	
Total	**61,401**	**70,317**	**-12.7%**
Of which:			
Portugal activity	48,932	53,062	-7.8%
Foreign activity (excluding Greece)	12,469	12,452	0.1%

Credit quality, measured by loans overdue by more than 90 days as a percentage of total loans, stood at 6.8% as at 30 June 2013 (5.9% as at 30 June 2012, considering the actual consolidation perimeter), reflecting the evolution of the portfolio of loans to companies.

Considering the actual consolidation perimeter, the coverage ratio for loans overdue by more than 90 days stood at 85.2% as at 30 June 2013, which compares with 87.8% at the end of June 2012, and the coverage ratio of the total loans overdue portfolio to impairments stood at 79.7% as at 30 June 2013 (82.9% on the same date in 2012).

CREDIT QUALITY

Million euros



Note: adjusted to the actual consolidation perimeter.

Overdue and doubtful loans stood at 9.0% of total loans as at 30 June 2013, compared with 7.9% posted at the end of June 2012 and credit at risk stood at 12.6% of total loans as at 30 June 2013 (13.2% on the same date in 2012).

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

Million euros

	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	**835**	**723**	**2.7%**	**86.5%**
Mortgage	220	252	0.8%	114.6%
Consumer	615	471	16.8%	76.5%
Companies	**3,312**	**2,812**	**10.7%**	**84.9%**
Services	1,034	1,227	8.3%	118.6%
Commerce	428	295	12.8%	68.8%
Other international activities	10	108	0.6%	1033.1%
Other	1,839	1,182	13.7%	64.3%
Total	**4,147**	**3,534**	**6.8%**	**85.2%**

Total customer funds

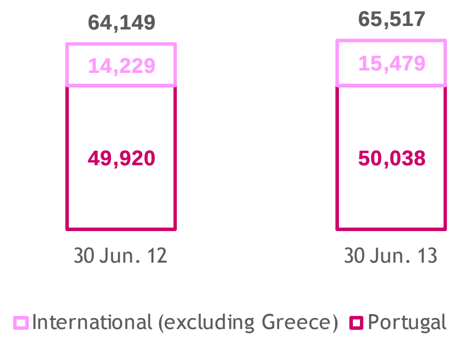
Total customer funds stood at 65,517 million Euros as at 30 June 2013 (66,808 million Euros as at 30 June 2012). Considering the actual consolidation perimeter, total customer funds increased 2.1% from the end of June 2012.

The increase of total customer funds, excluding the operation in Greece, benefited from:

– the increase in balance sheet customer funds (+1.1%), sustained by the performance of customer deposits (+4.7%), reflecting the continuous focus to further increase stable funding resources and to reduce commercial gap; and

– the rise in off-balance sheet customer funds (+6.3%), boosted by the performance of assets under management.

TOTAL CUSTOMER FUNDS
Million euros



In the activity in Portugal, total customer funds amounted to 50,038 million Euros as at 30 June 2013 (49,920 million Euros as at 30 June 2012). In the international activity, total customer funds, excluding Millennium bank in Greece, were up by 8.8% to 15,479 million Euros as at 30 June 2013, reflecting the increase in both balance sheet customer funds and off-balance sheet customer funds, as a result of the favourable performance, in particular, of the subsidiary companies in Poland, Mozambique and Angola.

As at 30 June 2013, balance sheet customer funds represented 80% of total customer funds, with special emphasis on the component of customer deposits, which represented 72% of total customer funds.

TOTAL CUSTOMER FUNDS

Million euros

	30 Jun. 13	30 Jun. 12	Change 13/12
Balance sheet customer funds	**52,474**	**51,883**	**1.1%**
Deposits	47,464	45,352	4.7%
Debt securities	5,010	6,531	-23.3%
Off-balance sheet customer funds	**13,043**	**12,266**	**6.3%**
Assets under management	4,369	3,584	21.9%
Capitalisation products	8,674	8,682	-0.1%
Total excluding Greece	**65,517**	**64,149**	**2.1%**
Millennium bank in Greece	--	2,658	
Total	**65,517**	**66,808**	**-1.9%**
Of which:			
Portugal activity	50,038	49,920	0.2%
Foreign activity (excluding Greece)	15,479	14,229	8.8%

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 15,235 million Euros as at 30 June 2013, which compares with 13,017 million Euros on the same date in 2012 (14,488 million Euros as at 31 December 2012) and represented 18.1% of total assets (14.0% as at 30 June 2012).

This evolution was essentially determined by the increase in financial assets available for sale – mainly reflecting the increase in the portfolio of sovereign debt financial instruments, in particular, Portuguese and Polish sovereign debt securities, despite the elimination of the exposure to Greek sovereign debt -, despite the reduction in both financial assets held to maturity and financial assets held for trading.

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 2013.

Segmental Reporting

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

Business segment	Geographical Segmentation
Retail Banking in Portugal	Retail Network of Millennium bcp ActivoBank
Companies	Companies Network of Millennium bcp (Portugal) (1) Real Estate Business Department Interfundos
Corporate & Investment Banking	Corporate Network of Millennium bcp (2) Investment Banking International Department
Asset Management & Private Banking (*)	Private Banking Network of Millennium bcp (Portugal) Subsidiaries specialised in the investment fund management business (Portugal) (*) For the purposes of business segmentation, includes: Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands)
Foreign Business (**)	Bank Millennium (Poland) Banca Millennium (Romania) BIM - Banco Internacional de Moçambique Banco Millennium Angola Millennium Banque Privée (Switzerland) Millennium bcp Bank & Trust (Cayman Islands) (**) For the purposes of business segmentation, does not include: Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands)

(1) Dedicated to companies with an annual turnover of between 2.5 million euros and 50 million euros.
(2) Directed at companies and institutional entities with an annual turnover exceeding 50 million euros.

Business Segment Activity

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

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, the weighted risk, as well as the capital allocated to segments, are based on Basel II methodology. Following the request submitted by the Bank, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the activity in Portugal as from 31 December 2010.

In the scope of the Roll-Out Plan for the calculation of capital requirements for credit and counterparty risk, the Bank of Portugal authorised the extension of that methodology to the subclasses of risk "Renewable Retail Positions" and "Other Retail Positions" in Portugal with effect as from 31 December 2011. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk "Corporates" in

Portugal and the adoption of IRB methodologies for “Loans secured by residential real estate” and “Renewable positions” of the Retail portfolio in Poland.

Additionally, the Bank 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 1st half of 2012 and in the 1st half of 2013, resulted from the application of 10% to the risks managed by each segment.

Information related to the 1st half of 2012 is presented on a comparable basis with the information reported in the 1st half of 2013, 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 between networks associated with the segmentation processes.

The net contributions of each segment are not deducted from, when 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 2013.

BUSINESS SEGMENTS

Million euros

	Retail Banking			Companies			Corporate & Investment Banking			Private Banking & Asset Management			Foreign Business		
	30 jun. 13	30 jun. 12	Change 13/12	30 jun. 13	30 jun. 12	Change 13/12	30 jun. 13	30 jun. 12	Change 13/12	30 jun. 13	30 jun. 12	Change 13/12	30 jun. 13	30 jun. 12	Change 13/12
Profit and loss account															
Net interest income	58,1	139,2	-58,3%	84,2	125,0	-32,6%	128,3	160,1	-19,8%	12,1	19,9	-39,2%	243,3	254,2	-4,3%
Other net income	187,3	188,0	-0,4%	39,2	44,1	-11,1%	76,3	94,3	-19,1%	13,5	12,4	8,7%	187,8	161,2	16,5%
	245,4	327,2	-25,0%	123,4	169,0	-27,0%	204,6	254,3	-19,6%	25,6	32,3	-20,8%	431,2	415,4	3,8%
Operating costs	253,1	310,9	-18,6%	31,1	33,0	-5,9%	32,1	38,1	-15,6%	9,3	14,4	-35,0%	236,9	242,6	-2,3%
Impairment	87,2	71,1	22,7%	139,5	152,6	-8,6%	275,9	239,6	15,2%	5,9	1,7	255,7%	40,5	39,2	3,4%
Net (loss) / income before income tax	(94,9)	(54,8)		(47,2)	(16,6)		(103,4)	(23,3)		10,3	16,3		153,8	133,7	
Income taxes	(27,3)	(15,7)		(13,7)	(4,8)		(30,0)	(6,8)		2,9	4,6		29,6	25,0	
Net contribution from continuing oper.	(67,5)	(39,1)		(33,5)	(11,8)		(73,4)	(16,6)		7,4	11,7		124,2	108,7	
Income arising from discontinued oper.													(41,7)	(516,7)	
Net contribution after discontinued oper.													82,4	(408,0)	
Summary of indicators															
Allocated capital	785	998	-21,3%	860	892	-3,6%	1.746	1.893	-7,8%	42	80	-47,2%	1.526	1.477	3,3%
Return on allocated capital	-17,4%	-7,9%		-7,8%	-2,7%		-8,5%	-1,8%		35,5%	29,5%		16,4%	14,8%	
Risk weighted assets	7.847	9.975	-21,3%	8.597	8.919	-3,6%	17.458	18.935	-7,8%	420	796	-47,2%	10.573	10.778	-1,9%
Cost to income ratio	103,1%	95,0%		25,2%	19,5%		15,7%	15,0%		36,5%	44,5%		54,9%	58,4%	
Loans to customers	25.326	27.292	-7,2%	9.194	10.281	-10,6%	12.872	13.856	-7,1%	774	909	-14,8%	11.999	11.983	0,1%
Total customer funds	32.729	32.847	-0,4%	3.313	3.199	3,6%	12.937	11.902	8,7%	5.794	5.720	1,3%	15.479	14.229	8,8%

Notes:

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

Foreign business segment includes Millennium bank in Greece in Income arising from discontinued operations. Loans to customers and total customer funds were adjusted so that they can be comparable, not including Greece operation figures.

RETAIL NETWORK IN PORTUGAL

The Retail area in Portugal posted net losses of 67.5 million Euros in the 1st six months of 2013, comparing with a net loss of 39.1 million Euros in the 1st half of 2012, essentially determined by the decrease in net interest income and by the increase in impairment charges, despite the reduction in operating costs.

The decrease in net interest income was a consequence of the decrease in the credit portfolio, reflecting the lower demand of loans from economic agents, and of the downward trend in interest rates, mostly due to the decrease in the Euribor, despite the efforts to revise the pricing of the operations.

Other net income recorded in the 1st half of 2013 are in line with the amounts presented in the same period of the previous year, supported by an increase in net commissions associated to transactions and demand deposits that offset the decrease in net commissions related to loans granted to customers.

Impairment charges in the 1st half of 2013 showed an increase, compared with the amount posted in same period in 2012, reflecting the anticipation of the reinforcement of impairment charges for credit risks originally planned for the 2nd half of the year.

Operating costs went down 18.6% in the 1st six months of 2013 resulting from the amount recorded on 30 June 2012, due to the decrease in administrative and staff-related costs, benefiting from the impact of initiatives in place to rationalise and contain costs, in particular the effect of the branch network resizing.

As at 30 June 2013, commercial gap showed a positive evolution from 30 June 2012, evidencing a decrease in loans to customers above the one recorded in balance sheet customer funds. Loans to customers were down 7.2%, standing at 25,326 million Euros as at 30 June 2013, following the reduction in mortgage loans and other credits in national currency. Total customer funds reached 32,729 million Euros on 30 June 2013, in line with the figures recorded as at 30 June 2012, due to the 6.2% increase in customers' deposits.

During the 1st half of 2013, the Bank continued to implement its segmentation strategy in the Business and Client network, of which we underline the new commercial and performance valuation model. The Bank focused on growth and retaining funds, with the constant target of improving the margin. On the other hand, in terms of credit, the Bank focused on Consumer Loans and on default prevention. It continued to strengthen its position as partner of Small and Medium Enterprises and in the growth of the cards portfolio.

This position allowed it to strengthen quality and service levels provided to Customers and to increase profitability.

Segments

Individuals

Continuing the segmentation made the year before and based on the new commercial and performance valuation model for Customers, we underline the following initiatives:

- Launching the Millennium bcp Prestige brand in April, so as to give it notoriety and reposition Millennium bcp as a solid player in this segment;
- At the same time, the Bank bet on knowing better the investor profile of each Customer, to improve the service and the value proposal made, offering distinctive investment solutions;
- Set up of a new business model for the segment of Residents Abroad, with a new communication line and product range, encompassing the various generations and emigration profiles;
- Launching Millennium GO! UP - the first integrated solution especially designed for underage young people (14 to 17 years old) – aiming to maximise the family perspective, introducing the concept of integrated solutions, and gaining young customers.

This set of initiatives resulted in an all-time maximum number of 700 thousand integrated solutions, representing about one third of the eligible client base of the Bank, with a net increase in the portfolio of 50 thousand solutions.

Business

In the 1st half of 2013, aiming to reinforce the Bank's role as partner of Small and Medium Enterprises and to increase the profitability of the Business segment, the bank undertook the following initiatives:

- Improving the banking product range offered in the *Aplauso* Programme plus benefits from external partnerships with reference entities, including essential services for companies.
- These benefits, the differentiation in communication and dynamics of Customers' visits, have led to a sustained rise in the number of customers, which already surpasses 12 thousand;
- Focus on the granting of Loans to Companies, mainly the credit lines PME Crescimento and PRODER/PROMAR. Millennium bcp ranks first in the sub-line for Micro and Small Companies in the Credit line PME Crescimento 2013;
- The Bank stimulated deals involving short term loans, namely Commercial Loans (Commercial Discounts, Factoring, Foreign Commercial Discounts) and Trade Finance, as means to reinforce treasury and actively support our companies' exports, under advantageous conditions;
- Development of new integrated solutions to face the changing context and exploring new market niches;

- As a result of these actions to improve the product range, sales support, capture and service level, there has been a sustained increase in loans, cross-selling and new customers.

Products

Savings and Investment

During the 1st half of 2013, Millennium bcp developed a commercial strategy aiming to grow and retain funds, framing its commercial actions in a constant concern with cutting funding costs, so as to improve the margin.

Within the scope of redesigning the products from a segment standpoint and care for the constant support and follow-up of Customers in terms of savings, BCP created several products aiming to induce small savings with previously defined deposits.

Aiming to stabilise the liabilities portfolio and broaden the products available to diversify the Customers' assets, we underline the introduction of the Indexed Deposits in the 1st half of 2013, which turned out to be a great commercial success.

Seeking to improve the loan-to-deposit ratio, during the 1st half of 2013, the Retail Network increased the transformation of maturing structured products and off-balance sheet products into products with a direct impact on this indicator.

Loans to Individuals

During the 1st half of 2013, the Bank's strategic priority was focused on Consumer Loans. Several special pricing conditions were defined for that purpose and, simultaneously, several sales support actions were developed, largely visible online and at the Branches. These initiatives translated into a strong increase in sales and a rise in margin and fees.

One must also highlight the focus on the Bank's real-estate properties, namely credit promotional conditions, considering the high costs these properties bear for the Bank.

Credit default continues to be one of the most relevant issues, with a large impact on the operating account, therefore BCP will continue to increase preventive measures and to recover defaults.

Cards and Instruments of Payment

During the 1st six months of 2013, the following initiatives stood out:

- Very dynamic sale of the Free Refeição Card, a pre-paid card issued by the Bank for the payment of meal allowances, with tax advantages for the employer and for the employees: over 100 thousand cards sold in just 6 months;

- Focus on enlarging the portfolio, both in credit and debit cards, surpassing 3 million cards, 5% up year-over-year;

- Conclusion of the contactless cards and terminals certification, with 200 thousand cards already issued and scheduled communication and roll-out for September 2013;

- The American Express Acquiring Network was extremely dynamic with over 45 thousand sellers accepting the brand and a billing volume of 120 million Euros, 13% up year-over-year;

- Maximising the advantages granted to customers, with permanent 5% cash-back offer in the Blue from American Express Card, as well as miles and additional points in the TAP and Catalogue programs of Millennium bcp, besides discounts in hundreds of partners of the Selects Program and American Express Advantages Travel Guides;

- Optimisation of the self banking business, continuing to rationalise the ATM network and increase its profitability;

- Complete offer of POS solutions, for all types of businesses and services, being pioneers in the provision of POS with simplified invoicing and recording the increase of POS terminals to 34 thousand and the increase of the market share to 13%.

Insurance

The 1st half of 2013 recorded a 3.4% increase in the business of Risk Insurance Policies (Group Insurance Company) comparing with a 3.8% contraction of the insurance market in Portugal (May 2013 data).

We also highlight the following actions:

- Launching of the programme "2WIN":
  - "To win" - transform the insurance sales performance through a systematic approach and disclosure of best practices;
  - "Twin" - to have the insurance company's sales structure (consultants) and the Bank's regional divisions with a better performance supporting their peers;
  - "the Two win" - to achieve the growth and profitability goals of Millenniumbcp and of Millenniumbcp Ageas.
- Implementation of a new insurance phone sales process, incorporating the new regulations for this sales channel.

Support

Internal Communication

In the 1st half of the year, the Commercial Daily – a daily communication about marketing and commercial priorities for the Retail Network – was divided, specialising in each segment: Prestige, Mass-Market and Companies.

CRM (Customer Relationship Management) and Multichannel

We highlight the following actions in the 1st half of 2013:

- Integration of Customer information, pursuing a multichannel logic and integrating the information gathered through inquiries to Prestige Clients;
- Preparing the campaign manager to better meet the provision of leads in a multichannel context (branches, *site*, *call centre*, etc.);
- Creation of commercial actions to recover the relationship with Customers with funds potential, promote the sale of core products and retain Customers that recorded a decrease in the number of bank operations, according to their profile;
- Planning and monitoring commercial campaigns;
- Supporting the creation of the table of products supporting the Companies Network.

Direct Banking

Contact Centre

The optimisation of technological solutions in place enabled the Contact Centre to focus on an ever more customer-oriented service, encompassing all its needs, during the 1st half of 2013. The level of efficiency attained helped improve the quality of services provided, the proactive promotion of products and services adjusted to their needs, with strict compliance with their instructions.

Internet & Mobile

The Internet & Mobile area is responsible for innovating, maintaining and managing the Bank's Internet (Individuals and Corporate) and Mobile (Millennium App, Mobile Web and Mobile SMS services) channels. This team is also responsible for assessing how usable the channels are and for arranging with the IT Division the developments and corrections necessary, as well as for working with the digital communication agency responsible for managing the Facebook pages: Millennium Mobile and Millennium Sugere. During the 1st six months of 2013, the following projects stood out:

- Offer of a new function, the transfers using QR Codes, with the Millennium App.
- Information on the contacts of the Client Manager and of the Private Banker in the *landing page* of the millenniumbcp.pt website after the login.

- Permanent update of the information regarding products and services sold by the Bank on the website (Individuals and Corporate) and also actions to improve business carried out based on the website, aiming to disclose and sell products, solutions and increase the use of the website.
- Monthly Newsletters regarding Internet & Mobile matters, to send to Customers that use the Individuals and Corporate website.
- Provisions of the European EBICS (Electronic Banking Internet Communication Standard) to companies, within the scope of SEPA, enabling the automatic exchange of files in accordance with Regulation 260/2012 of the European Commission. Simultaneously, new C2B file formats were made available according to the same regulation and ISO20022.
- New functions for Companies, namely sending batch orders for the Payment of Services in the Multibanco network, for Payments to the State, possibility of topping up pre-paid free cards in batches (meal allowance and other) directly in the website, making it unnecessary for the customer to know the technical format of the file in question.

Direct Sales Unit

In the 1st half of 2013, the Direct Sales Unit developed its outbound commercial activity in accordance with the goals and strategy defined for individual customers of the Mass Market segment. This Unit handled about 8500 *leads*, obtaining a very interesting number of purchase intentions in several campaigns (especially savings with pre-scheduled monthly payments) so as to offer a product range that better fits the Clients' needs.

The strategic priorities of the Telemarketing channel, in the 1st half of 2013, were to contribute to the increase of the Bank's sales, introducing improvements that help perfect service quality and cut down costs. During the 1st half, 152,657 Clients were contacted, of which 144,569 within the scope of commercial campaigns and 8,088 within the scope of the new performance assessment programme, resulting in 28,349 intentions.

Residents Abroad

After the Residents Abroad segment was restructured and the new Business model started being implemented, there was a 19% increase in Transfers year-on-year, based on a 62% surge in transferor Customers.

The improvement of the commercial dynamics of the Retail Network enabled the sustainable growth of resources and the increase of *cross-selling* levels in the segment, namely through the sale of the Integrated Solution Mais Portugal, with a very high rise during his year.

During the 1st Semester, this area also focused on the Golden Permit Residence and the sale of the Bank's real estate properties.

ActivoBank

In the 1st half of 2013, the Bank remained focused on the strategic objectives of expanding its customer base and increasing customers' involvement with the Bank. Each of these two strategic objectives was developed according to the following vectors:

Attracting Customers

- Strengthening the expansion of non-banking recommendations (Associates) and the approach to Employees of the companies identified with the Bank's target (worksites);
- Launching institutional communication campaigns and strengthening the value proposition, along with launching new products and services that set the difference.

Customer Loyalty

- Implementation of a 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 its customers' needs that have been identified;

- Recovering the prominent and leadership position in providing online investment banking services.

During the 1st six months of 2013, several initiatives were developed, amongst which we underline the following:

I. Growth and consolidation of the commercial network

The Bank focused on the expansion of non-banking recommendations, reaching 198 associated promoters and strengthening the approach for Employees of companies identified with the Bank's segment, partly capitalizing on the expansion of the Activo Points network.

II. Institutional communication campaigns and value proposition

The communication campaign to attract customers on the radio, facebook and Internet, executed during the 1st half of 2013, focused on the competitive advantages that set ActivoBank apart from the competition, allowing it to obtain enhanced brand awareness and to increase the number of friends on facebook. The communication campaign developed under the motto: "Banco de Ideias", a Bank of Ideas that underlined ActivoBank's image as a social network bank and a bank that listens to its customers.

Also in the 1st half, increased advertising presence permanently on facebook allowed the Bank to continue to gain more friends in this network and to become one of the frontline institutions in Portuguese social networks.

Simultaneously with the institutional communication, the Bank opted for the local regeneration of Activo Points, either through support to specific events in each city, such as the association to TEDx Porto, or in events with great visibility such as the Color Run and the Out Jazz concerts.

III. Launching new products and services, binding and segmentation

During the 1st half, ActivoBank launched a Home Loan Solution and an innovative Home Leasing Solution, continued to innovate with the introduction of transferences receivable using QR codes and developed institutional communication for the Protection Solution, aiming to continue to meet its clients' demands.

The implementation of Phase 2 of the CRM and segmentation model developed by the Bank, which aims to initially cement the relationship with its customers from a day-to-day perspective, and then focus on meeting the financial needs that arise throughout the clients' lives, represented another step towards ensuring a sustainable long-term involvement with the customer.

Also within the scope of CRM, the Bank put in place the Next Best Offer concept, presenting Customers with a product or service proposal in a coordinated and coherent manner, so as to better fit their profile and needs at each moment in time.

The set of actions taken, along with continuous bet on innovation, contributed to a 49% increase of the customer base in the 1st half.

COMPANIES

Companies posted a net loss of 33.5 million Euros in the 1st half of 2013, compared with a net loss of 11.8 million Euros in the 1st half of 2012, mainly determined by the decrease in net interest income and despite lower impairment charges and operating costs.

The decrease in net interest income in the 1st half of 2013, in comparison with the same period of 2012, was a result from a decrease in loans to customers, determined by smaller demand from economic agents and increases in funding costs, despite the repricing effort in credit operations.

The decrease of loans impairment charges for loan losses, despite an adverse macroeconomic context and the deterioration of companies' financial and economic conditions, reflects the provisions reinforcement posted in the 1st half of 2012 as part of to the Special Inspections Programme.

Loans to customers as at 30 June 2013 went down 10.6% from the same period in the previous year totalling 9,194 million Euros by the end of the 1st half of 2013, mainly due to the decrease in short-term financing. Total customer funds reached 3,313 million Euros as at 30 June 2013, up 3.6% year-on-year, sustained by the performance of assets under management.

Companies Network

The network's activity in the 1st half of 2013 was strongly conditioned by the particularly adverse economic framework, resulting from the contraction in the domestic market and in the main target markets for Portuguese exports. The companies' commercial activities slowed down and have no new investment projects due to excessive installed productive capacity and uncertainty as to the macroeconomic performance.

Within this context, the strategic priority in the Companies Network during the 1st half of 2013 was to put in place a strategy for increased support to companies, namely SMEs, considering that the success of Portuguese companies will be of the utmost importance and a catalyst for the country's economic recovery and consequently for the Bank's success, based on the following actions:

- Funding the operating and funding cycle of the companies that are economically sustainable and preferably in tradable sectors;
- Strategies to support companies' internationalization, taking advantage of the Bank's presence in various countries with high growth rates: Angola, Mozambique, Poland and China.
- Providing treasury and funding solutions, for both day-to-day management and for undertaking new investments, especially focusing on treasury support through factoring and investment through leasing, based on small/medium-sized operations with the SMEs.

Aiming to put in place the strategic actions, the following initiatives were developed:

1. Strong participation in the credit lines developed by the Portuguese State with very clear results:
   - 1700 new contracts since the beginning of the year totalling 124 million Euros.
   - Leader in proposals for the credit line PME Crescimento 2013 (according to data provided by the mutual guarantee societies), with market share of 20.2% in the number of operations and 3rd in terms of amount of the operations with a 17.1% share, after the approval of about 2,000 operations totalling 181 million Euros. According to the information provided by PME Investimentos (credit line manager), this funding supported 1,465 companies, responsible for over 21,200 jobs.
   - Support to the farming sector, with the approval of funds using the credit line IFAP PRODER/PROMAR amounting to 2.2 million Euros.
   - Participation in the INVESTE QREN, with a ceiling of 1 billion Euros, to support companies in the accomplishment of projects approved within the scope of the QREN incentive system.
   - Support to the valuation of companies in the tourism sector through the credit line for the Improvement of the Tourism Offer entered into with Turismo de Portugal, with a ceiling of 60 million Euros, to improve existing tourism undertakings.
2. Creation of special Credit Lines with the European Investment Bank and the Mutual Guarantee Societies
   - Millennium EIB Line – credit line of 200 million Euros, as a result from an agreement with the EIB (European Investment Bank), to support small and medium-sized investment projects mainly promoted by SMEs.
   - Millennium Mutual Guarantee: a credit line with a global ceiling of 100 million Euros, in a partnership with the Mutual Guarantee Societies to support companies in making new investments and/or treasury needs associated with the companies' operating cycle. The use of mutual guarantee represents an additional advantage for companies, giving them access to a solution for guarantees associated with a credit operation.
3. Additional Solutions to Support SMEs Treasury Management
   - Increasing the Factoring and Confirming product range, preparing products such as “Factoring On Time” and “Confirming On Time”, solutions that make it more flexible, simple and quick for SMEs to manage their payables and receivables, and promotion of Factoring as the preferred funding solution for a company's current assets, undertaking specific commercial actions in the Companies and Retail Networks. We underline that the Bank had a 16.5% market share by the end of May 2013 (Data from the Portuguese Leasing & Factoring Association)
   - Creation of a credit line with Millennium bim worth 100 million north american dollars, to support investment in Mozambique. This line is meant to finance projects from both SMEs and

Large Companies, providing specialized monitoring from Millennium Investment Banking in the set up of the funding operations.

- Creation of a specific area for promoting and supporting export companies, working with the Bank's operations in high growth markets (Angola, Mozambique, Poland, Macau), taking advantage of the experience of the specialist team "Millennium Trade Solutions" and promoting the functions designed to make documentary credits in millenniumbcp.pt.
- Increasing the treasury product range with the Direct Deposit enabling companies to make deposits with longer open hours and at locations that better suit the type and frequency of the deposits.
- Launching the pre-paid card Free Refeição, the only meal allowance card with personalised statement and great advantages for Companies and Employees.
- Organizing the "Jornadas Millennium Empresas" with the customers of Portugal's largest towns (already took place in Guimarães, Aveiro, Braga, Algarve and Santarém), consisting of conferences and debates for commercial promotion to increase the Bank's credit support to companies of the various regions.

Despite being more selective in credit granting, Millennium bcp kept its commitment to support companies that present a sustainable economic and financial structure, especially in the tradable goods and service sectors and/or that develop an export strategy.

Real estate business

The strategic priorities of the Real Estate Business Division consisted, in terms of credit, on the consolidation of the new sales structure, preventive management and recovery of past due loans and expected losses and, in terms of real-estate, on the decrease of the properties' *time to market* and increase of sales.

Amongst the various initiatives undertaken, we highlight the following:

- Centring the Customers' entire banking relationship in the new Real Estate Business Division;
- Reinforcing diagnosis and re-structuring models and exploring new channels to sell assets;
- Broadening the sales programme M Imóveis to include Customers' undertakings, creating conditions to sell financed projects;
- Containing the entry of new real-estate properties by acting upstream of their entrance in the Bank's portfolio;
- Decreasing the transfer time between areas and optimising services provided by outsourcers;
- Developing new partnerships for sales outside Portugal and attending international auctions and fairs;
- Consolidating the sales channels in Portugal - partnerships with specialised real estate brokers (non-housing properties), nation-wide and segment-specific campaigns, nation-wide and regional auctions.

Interfundos

In an economic context that continues to exhibit a downward trend in most market indicators: turnover, *yields*, sales values and rent per m2, Interfundos focused its strategy on restructuring operations, promoting sales, specialising and optimising its activity.

In order to pursue this strategy, Interfundos:

- Carried out the share capital increase and liquidation of FIIFSP;
- Signed sales agreements under a co-exclusivity regime for the sale of real estate properties valued at 168.4 million Euros;
- Approved a service agreement for the revision of the net asset value of assets under management;
- Engaged a uniform accounting services agreement including companies held by funds under management;

During the 1st six months of 2013, the volume of assets under management by Interfundos totalled 1.499 billion Euros, granting it the market leadership position.

Microcredit

During the 1st six months of 2013, Millennium bcp strengthened its commitment with the microcredit activity. The current economic context continues to be perceived by the Bank as an opportunity to provide support to all those who have an entrepreneurial mind and a feasible business idea, providing them with the help to create their own businesses.

Within this scope, the main strategic priorities of microcredit were based on the disclosure of this type of funding, part of the Bank's social responsibility policy and part of the promotion of an entrepreneurial spirit in the different regions of Portugal, in order to strengthen the leading position of Millennium bcp in this area. For that purpose, several initiatives were carried out with municipalities, parishes, universities, professional schools and other entities that develop their activities near the target-population. These initiatives, articulated with the Bank's retail network, enabled the creation of performance synergies. We point out the following:

- Renewal of the financial Intermediation Protocol established between Millennium bcp and Associação Nacional de Direito ao Crédito (ANDC), that intends to make a specific microcredit line available in order to promote entrepreneurship and self-sustainability;
- Participation of 6 Millennium bcp micro-entrepreneurs in the Innovation Race, held in the wake of the 10th Annual Conference of the *European Microfinance Network* in Stockholm (Sweden);
- The Bank held 334 meetings with institutions and participated in 120 events for the disclosure and promotion of employment that resulted in the signing of 20 cooperation protocols.

As a result of the work developed during the 1st six months of 2013, the Microcredit of Millennium bcp financed 96 new operations, totalling 1.053 million Euros of credit granted and the creation of 158 new jobs. The volume of credit granted to the 1,008 operations in the portfolio, up to 30 June 2013, totalled 10.411 million Euros.

Corporate & Investment Banking

Corporate & Investment Banking recorded net losses of 73.4 million Euros on 30 June 2013, compared with a net loss of 16.6 million Euros in the 1st half of 2012, mainly determined by the increase in loans impairment charges and the decrease in net interest income.

The 19.8% decrease in net interest income is related to the reduction in total loans to customers, determined by the lower demand of loans from economic agents, as well as to the decrease on margin rates, despite the improved performance in the margin of customer funds. The decrease in other net income was mainly due to the fall in net commissions from signature loans, bond loans and net commissions associated to demand deposits.

The increase in impairment charges for loan losses in the 1st half of 2013, from the same period in 2012, resulted from the anticipation of the reinforcement of impairment charges for credit risks originally planned for the 2nd half of, together with the adverse macroeconomic context with consequent deterioration of companies' financial and economic conditions.

As at 30 June 2013, loans to customers decreased 7.1% from the end of June 2012, standing at 12.872 billion Euros, particularly medium- and long-term financing. Total customer funds reached 12.937 billion Euros as at 30 June 2013, up by 8.7% compared to the figures recorded on 30 June 2012, due to the increase in balance sheet customer deposits and assets under management.

Corporate

The activities carried out by companies during the 1st six months of 2013 were strongly affected by the particularly adverse economic conjuncture. The commercial activities of the companies slowed down and the same was characterized by the lack of new investment projects due to the oversized installed capacity and the feeling of uncertainty concerning macroeconomic prospects.

Within this context, the strategic priorities of the Corporate Network were:

- To resume the support given to companies, namely in terms of credit enabling them to pursue their current activities, particularly of those related with their operating cycle;

- Support to the implementation of internationalization strategies of companies, especially addressed to countries showing a strong development (ex: North Africa, Far East, Brazil, Poland, Angola, Mozambique and China);
- To strengthen the connection established with the main Portuguese economic groups, together with the Large Corporate Division, aiming at increasing the commercial relation through the identification of joint business opportunities.

Among the initiatives held in order to implement the defined strategic priorities, we must highlight the following:

- Development of a strong commercial activity, involving visits to all Clients, in articulation with the Large Corporate Division, with the objective of transmitting the bank's new strategy focused at granting credit to companies presenting sustainable projects;
- Identification of new business opportunities, especially in companies with a more balanced economic-financial structure, namely in terms of *cross selling* and management of compensations in terms of credit granting;
- Trade finance actions with companies pursuing internationalization strategies, in articulation with the International Division, increasing the synergies with the bank's operations located in countries to where Portugal exports, evidencing a greater growth potential (Poland, China, Angola and Mozambique);
- Increase of the bank's involvement with large economic groups, in close cooperation with the Large Corporate Division, by means of a closer follow-up of their activities made by a specialized and dedicated team that tries to identify new business opportunities and new operations, both in Portugal, (search for optimized treasury management solutions and participation in debt placement operations) and abroad, providing support to the companies and their current or planned international operations, especially in countries where Millenniumbcp operates and, with the assistance of the Investment Banking Division, in the domestic market and in the "Millennium Geographies", especially in Angola and Mozambique;
- Selective assessment of the bank's relation with state-owned companies, part, or not, of the State Company Sector, from a perspective of having a relation that seeks to balance the funding needs of the companies and the Bank's funding opportunities;
- Development of the cooperation established with the Investment Banking and with the Large Corporate Division, in an attempt to materialize the potential for the generation of business, especially in what concerns consulting for the development of international businesses or executing debt placement operations.
- Increase of *cross networking* with other commercial areas of the Bank, namely through actions for the capture of new wage accounts near the employees of companies.

Investment Banking

In spite of the unfavourable evolution registered by the domestic stock market as of May 2013 leading PSI 20 to close the semester with a slight loss, the volumes traded were higher than the ones traded last year and the bank increased its market share in Euronext Lisboa to 6.6%, disputing the leadership of the brokerage market with the domestic banks within an environment of strong competition with the foreign banks that already represent more than 60%, in total. At the same time, the bank is developing actions to improve the offer made by the several channels that receive and execute stock exchange orders in all domestic and international markets in order to better satisfy the increasingly sophisticated needs of the Clients.

During the 1st six months of 2013, the Bank more than doubled its offer of Certificates, particularly those on stock indexes, with a strong contribution given by the Prestige segment. This result confirms, without a shadow of doubt, the value and interest of this type of investment for the Clients, namely in what concerns allocation, increase of the yield and diversification of their assets by means of a unique, distinctive and innovative number of products.

This year, Millennium was distinguished by Euronext Lisboa as the entity that obtained more nominations and four awards. Three of those distinctions were awarded due to the capital markets and stock exchange activities developed by Millennium during 2012: Market member - Most Active Trading House in Shares – small and medium capitalizations; Market member - Most Active Trading House in Certificates; Best Capital Market Promotion Event – Dedicated to retail investors and Global Investment

Challenge – organized by SDG, in a partnership established with Millennium BCP and the weekly newspaper Expresso.

During the 1st six months of 2013, Millennium investment banking maintained its presence in the segment of bond issues addressed to retail and was joint-leader of the bonds public offering of Benfica SAD (45 million Euros) and participated as Co-Leader in the bonds public offering of Mota-Engil (175 million Euros). After the deleverage process that took place in the last few financial years, the 1st six months of 2013 showed an increase in finance operations, translated in the engagement of new Commercial Paper operations. In this context, we must mention the operations that the bank led for Sonaecom (100 million Euros), Auto-Sueco (increase of the amount to 45 million Euros) and Europa&c Kraft Viana (20 million Euros) besides making a number of maturity extensions in other Programs.

The Bank continued to set up and place structured products, in the wake of the commercial actions developed by the Retail networks and Private Banking to get new stable customer funds. The offer of structured investment products was mainly composed by indexed deposits due to the Customers' appetite for this type of investment. The total amount placed exceeded 500 million Euros.

The macro and microeconomic environment conditioned the foreign exchange business that remained depressed, notwithstanding the increasing trade flows registered in some segments and markets. Since the interest rate risk hedging opportunities remained conditioned by the reduced number of new medium- and long-term financing operations, the activities developed consisted mainly in detecting those opportunities and in the adjustment of existing hedging structures due to the renegotiation or refinancing of underlying operations.

In the area of Corporate Finance, the Bank participated in several relevant projects, providing financial advising to its Clients in *dossiers* involving the study, development and making of M&A operations, evaluation of companies, company restructuring and reorganization processes, as well as the economic-financial analysis and study of projects. In what concerns the several advisory jobs developed by the Bank in the M&A segment, we must point out the agreement for the sale of ANA - Aeroportos de Portugal by the Portuguese State to the French Group Vinci, signed in February 2013. Millennium investment banking participated in this privatization process and the sale has already been approved in June by the European Commission. Also in June, EDP Renováveis, advised by Millennium investment banking, concluded the sale to CITIC CWEI Renewables S.C.A. of a 49% stake in the share capital of EDPR EDP Renováveis Portugal, S.A. and of 25% of the outstanding shareholders loans made to this company, within the scope of the strategic partnership EDP/CTG established in December 2011, effective as of May 2012. The sale of the stake mentioned above was made in December 2012.

In *Structured Finance* and during the 1st six months of 2013, Millennium investment banking was involved in the search for new financing opportunities and analysed credit operations for the food, distribution, media, cement and car component sectors; by the end of the 2nd quarter of 2013, some of these operations were already being negotiated/structured with the clients. During the 1st six months of 2013, the area of Structured Finance was deeply involved in the financial follow-up, analysis and restructuring of around twenty-five Portuguese companies / economic groups.

International

The international Division based its strategic performance during the 1st six months of 2013 on 3 pillars:

- Financial Institutions Group;
- International Business Platform;
- Trade Finance Business.

The redefinition of the performance scope to include the Financial Institutions Group extended the activities developed by this Division to all Financial Institutions (and not only Banks) in all geographies where the Bank operates.

More than 150 meetings were held with external counterparties for the presentation and promotion of the Bank's businesses. The straightforwardness and transparency with which these presentations were made, together with a strict compliance with the Strategic Plan announced by the Bank made these presentations to be favourably accepted by the Bank's interlocutors, in spite of the uncertainty transmitted by the Portuguese conjuncture and, particularly, the European one.

Apart from the capture and reinforcement of lines and limits, this Division also provides correspondent services to more than 230 international banks, managing 840 million Euros of funds, with a 25% share in payments remitted and a 23% share in payments received.

The Institutional Custody services is internationally recognized as one of the best of the market, having been distinguished by the magazine Global Custodian as “Top rated”. It provides services to outstanding international entities, manages more than 76 billion assets and has a 44% market share (non-resident institutional entities).

Concerning support to the internationalization of the Companies through the International Business Platform, it gave a particular attention to the countries where the bank operates and to others deemed very important. Millennium bcp has been implementing a policy based on a closer proximity with its Clients and a better coordination with its units placed abroad so as to know the business better and be able to anticipate the needs of its Clients and propose value-added solutions.

At the beginning of the year, all the competences related with the Trade Finance business were concentrated in the International Division, a clear sign that the bank is very committed in the pursuit of this business.

The ownership of the Trade Finance business with the corresponding management and development of products, together with the management information developed during these six months enabled the bank to provide a substantial support to exports and to the internationalization of our Customers.

Under the denomination Millennium Trade Solutions, the mission of which is to implement the bank's strategic option in terms of support to international trade, the bank held more than 400 meetings with companies during these six months.

ASSET MANAGEMENT & PRIVATE BANKING

The Asset Management & Private Banking, considering the geographical segmentation recorded, in the 1st half of 2013, a net contribution of 7.4 million Euros, compared with a net contribution of 11.7 million Euros in the same period of the previous year. This performance was based on the decrease in net interest income and on the increase in impairment charges, despite the reduction in operating costs.

The decrease in net interest income during the 1st half of 2013 compared to the amount accounted in the same period of 2012 was mainly due to the downturn in the margin from loans to customers and from term deposits. The decrease of loans interest rates and the evolution of loan volumes had a negative effect on net interest income.

The increase in impairment charges for loan losses in the 1st half of 2013 compared with the amount recorded in the 1st half of 2012 resulted from an adverse macroeconomic context with deterioration of economic conditions. In terms of operating costs, the decrease was mainly due to the decrease in staff costs, influenced by the reduction in the number of employees.

Loans to customers decreased 14.8% between 30 June 2012 and 30 June 2013, mainly due to the decrease in the Private Banking portfolio in Portugal. As at 30 June 2013 total customers funds rose 1.3%, from the 1st half of 2012, reaching 5,794 million Euros, influenced by the increase of assets under management.

Asset Management

The Asset Management Area includes the company Millennium Gestão de Activos that manages the Millennium stock funds in the domestic market and the risk capital fund Millennium Fundo de Capitalização, FCR and Millennium Sicav, incorporated in Luxembourg, for institutional investors and Group clients abroad.

In the 1st half year of 2013, the management of securities investment funds registered a significant increase. Millennium Gestão de Activos presented a total of 1.2545 billion Euros in assets under management by the end of June, evidencing a growth of 47.6% versus the same period in 2012 and of 10.4% versus the previous quarter. The short-term oriented investment funds - treasury securities funds and short-term investment special funds – presented the most significant growth, showing an evolution consistent with the market in general. The funds with greater potential and risk, such as stock funds and funds of funds, globally registered a decrease of around 10% in relation to June 2012 and 5% versus the previous quarter. In terms of the domestic market, the company presented the second highest growth rate in terms of assets since the beginning of the year, reaching a market share of 9.3% in June, comparing with 8.8% in March 2013 and 7.6% one year ago.

The development of the trading of Millennium securities funds in the Group's commercial networks results from the positioning of the investment funds as a pillar of the diversification of the financial assets of investors and clients. Within the current context wherein clients are searching for alternatives to apply their savings, though retaining some risk aversion, the short-term funds managed by Millennium

Gestão de Activos became a proposal with value targeted at clients with a conservative profile that wish to remunerate their savings in an attractive manner. The company promoted several mergers, liquidations, changes to the investment policy or adjustments in the fund's fees in order to simplify the funds and decrease the commercial networks' trading costs. It also increased the number of multi-active funds available by launching the Millennium Multi Assets Selection fund in June, a proposal targeting clients showing a moderate risk profile that search medium-term solutions to optimize the yield of their assets and have a very diversified portfolio with investments made in several classes of assets and regions. The transfer of the real estate funds to Interfundos, a company specialized in that activity, also took place during the 1st six months of 2013. The risk capital fund Millennium Fundo de Capitalização, FCR was created by the end of June.

Regarding Millennium Sicav, total assets managed by all its sub-funds attained 84.6 million Euros by the end of the 1st half-year of 2013, representing a 30.0% growth versus the figures estimated in the same period of 2012, translating, essentially, the investment made by institutional clients during the beginning of the 2nd quarter of 2013.

In the 2nd half-year, apart from ensuring that the commercial promotion of the Millennium funds continues, the company shall complete the adjustment of its fund offer to the new Portuguese legislation and regulations. These new regulations intend to adjust the domestic legal framework to the European one, on all aspects related with the management of securities investment funds. Millennium Gestão de Activos will promote its new activity - the management of risk capital – to companies that represent opportunities for applications of the risk capital fund.

Private Banking

The strategic priorities guiding the commercial actions of the Private Banking during the 1st six months of 2013 follow the strategy designed in 2012:

- Consolidation and reinforcement of the value proposal of Millenniumbcp Private Banking, through the provision of a service of excellence, observing the Compliance rules in order to respond to the financial needs of Clients with high financial assets;
- Constant improvement of the Client Service levels;
- Increase of assets under management, always taking into consideration o logic of preservation of the assets by means of a diversified allocation.

The objectives defined for the 1st six months of 2013 were:

- Increase the number of clients, taking advantage of the synergies obtained via the increase of the commercial teams;
- Preserve the assets under management and stimulate the performance of the portfolios;
- Consolidate the *Advisory* model, one of the pillars of the value proposal of Private Banking, through the interaction established between the teams of Investment Experts and Private Bankers, monitored by a dedicated Investment Control Committee;
- Contribute to a sustained growth of the Bank's business.

During the 1st six months of 2013, the following initiatives stood out:

- Focus on new resources by the capture of new clients and the increase of the *share of wallet* of the current ones;
- Develop the Discretionary Management offer;
- Increase cross-selling.

BUSINESS ABROAD

The net contribution of the Foreign Business, considering the geographical segmentation, recorded 82.4 million Euros, in the 1st half of 2013, which compares favourably with the negative 408.0 million Euros registered in the same period in 2012. This performance was determined by the impact of the Bank's operation in Greece, which was recently sold and is presented on a separate line item in the profit and loss account, defined as income arising from discontinued operations. Excluding the impact from the Bank's operation in Greece, foreign business net contribution increased 14.3% from the 1st half of 2012.

In the 1st six months of 2013, all the operations recorded positive contribution except for Romania, which even so improved its year-on-year results, aiming for break-even in 2014.

The observed decrease in net interest income in the 1st half of 2013, compared to the same period in 2012, was mainly driven by the Bank's operation in Mozambique, with its negative impact on funding costs due to pressure to attract customer funds. At the same time, the intermediation margin of banks has been affected by the monetary policy followed by Mozambique's Central Bank, which lowered reference rates and decreased the issue of Treasury Bills.

The increase in other net income accounted in the 1st half of 2013, in comparison with the figures of the 1st half of 2012, was common to all the operations abroad, with special highlight for Poland's performance.

Operating costs in the 1st half of 2013 decreased 2.3% when compared to the value recorded in the 1st half of 2012, benefiting from the decrease in Poland.

The increase in impairment charges in the 1st six months of 2013, relative to the impairments recorded in the same period of the previous year, is associated to a higher level of impairment recorded for the Polish and Romanian subsidiary companies, partly offset by the smaller impairment charges recorded in Mozambique, Angola and Switzerland.

As at 30 June 2013, total customers funds, excluding the impact from the sale of the Greek subsidiary, were up 8.8% compared to the amount recorded at the end of the 1st half of 2012, benefiting from all the operations except for the Cayman Islands, particularly Poland where total customer funds were up 1.125 billion Euros mostly driven by the rise in balance sheet customers deposits.

At the end of the 1st half of 2013, loans to customers, excluding the impact from the sale of the Greek subsidiary remained stable (+0.1%) since the increases in Mozambique, in Romania and in Poland more than offset the decrease posted by the operations in the Cayman Islands and Switzerland.

Business in Europe

Poland

By the end of October 2012, Bank Millennium announced a new strategy for 2013-2015. The definition of the new strategy was based on the future prospects on the macroeconomic context, the current trends of the banking industry in Poland and also the level of ambition towards achieving a higher performance and generating value for the Shareholders, Customers and Employees.

The medium-term objectives for 2015, in accordance with the new strategy are:

- Return on equity (ROE) of 14-15%;
- Cost-to-income of 50%;
- Loan-to-deposit ratio under 100%;
- Core Tier I ratio above 10%;
- Client's satisfaction index above 90% (Satisfied and very Satisfied Clients);
- Percentage of credit granted to companies (including *leasing*) in the total credit portfolio of 30-35%.

Thus, in the 1st six months of 2013, the main initiatives developed aiming to materialize the strategic priorities were focused on:

- Improving the balance sheet structure in terms of assets, by developing products that generate a high margin and increasing the credit to companies, and in terms of liabilities, increasing the number of current and term accounts;
- Preparing the Bank for the future, investing in management information and in a multichannel platform, even if based on a strict cost reduction discipline.

The gradual implementation of the main strategic initiatives contributed in a positive manner for the results achieved during the 1st six months of 2013, supporting profitability in a context of low interest rates.

Concerning business, the results were already meaningful during the 1st six months of 2013 due to the acceleration of the implementation of the strategy consisting in altering the credit and deposits structure:

- Consumer loans registered an important increase for the 2nd consecutive quarter, amounting to 434 million zlotys (100 million Euros), which resulted in an increase of 15% if compared with 2012. Loans to companies continue to grow (6% versus the previous quarter), more than 1 billion Zlotys (247 million Euros) versus December 2012. We must highlight a new quarterly record in factoring: above 2 billion Zlotys (483 million Euros).
- Customer's deposits increased 6.7% if compared with December 2012, favoured by the increase in the market shares of current and term deposits, enabling the preservation of the financial margin in a period featured by a strong decrease in market interest rates.
- The success obtained in the management of the net interest income (net interest income increased 8.4% versus the previous quarter), the ongoing improvement of fees that increased 11.1% quarterly speaking, and 7.4%, if compared with the same period of 2012, driven by the fees related with investment and *bancassurance* products, the control on operating costs which fell 1.2% in the same period and the stability in terms of provisions enabled Bank Millennium to achieve a consolidated net income of 254 million Zlotys (60 million Euros), 15% above the ones accounted in the 1st six months of 2012.
- The *cost-to-income* ratio reached 54.9% in the 2nd quarter of 2013 (56% annually).
- The improvement registered in profitability and cost efficiency was accompanied by the maintenance of a strong position in terms of capital and liquidity, with a Core Tier 1 ratio of 13.3% and a *Loan-to-deposit* ratio of 93%.

- By the end of June 2013, Bank Millennium presented a credit impairment ratio of 4.6%, the lowest of the main Polish banks.

Million euros

	1H2013	1H 2012	Change % 13/12	1H 2012	Change % 13/12
				excluding FX effect	
Total assets	13,172	12,123	8.7%	11,874	10.9%
Loans to customers (gross)	9,979	10,012	-0.3%	9,807	1.8%
Loans to customers (net)	9,686	9,710	-0.2%	9,511	1.8%
Customer funds	11,635	10,581	10.0%	10,364	12.3%
Of which: on Balance Sheet	10,273	9,490	8.2%	9,296	10.5%
off Balance Sheet	1,362	1,091	24.8%	1,068	27.4%
Shareholders' equity	1,153	1,096	5.2%	1,073	7.4%
Net interest income	134.1	139.7	-4.0%	140.1	-4.3%
Other net income	100.5	85.7	17.2%	86.0	16.9%
Operating costs	131.6	132.7	-0.9%	133.1	-1.2%
Impairment and provisions	27.2	26.5	2.7%	26.6	2.4%
Net income	60.5	52.5	15.3%	52.6	14.9%
Number of customers (thousands)	1,256	1,198	4.9%		
Employees (number) (*)	5,874	6,159	-4.6%		
Branches (number)	441	449	-1.8%		
Market capitalisation	1,457	1,054	38.3%	1,032	41.2%
% of share capital held	65.5%	65.5%			

Source: Bank Millennium

FX rates:			
Balance Sheet 1 euro =	4.3376	4.2488	zloties
Profit and Loss Account 1 euro =	4.203675	4.21610833	zloties

(*) Number of employees according to Full Time Equivalent (FTE) criteria

Romania

During the 1st six months of 2013, Banca Millennium continued to consolidate its positioning in the sector as a universal bank supported by a wide base of clients and high business volumes. The Millennium brand is well-known in the Romanian market and is associated with positive attributes. The bank has a network with 65 retail branches located throughout the country and 8 corporate centres located in the main Romanian cities. Banca Millennium operates with 584 Employees and has more than 73 thousand customers.

The bank's strategy for 2013 is based on 3 pillars: increase the business volumes by increasing sales; simplification of the organization and maintenance of a conservative approach to risk management. Concerning its commercial activities, the bank reviewed its business model, reorganizing the sales areas (commercial and retail) to make them more efficient. Within this context, we must underline the adoption of a low cost retail distribution hub and spoke model, based on hubs - large branches with relationship managers and product specialists - and spokes - small branches essentially focused on transactional banking and sale of basic products. This solution enabled the bank to increase the number of employees exercising sales functions and, simultaneously, reduce costs. At the same time, the bank perfected is value proposal for each Client segment and gave a particular attention to *mass market* and SMEs. The objective of the mass market segment is to increase the number of customers of the bank, becoming the main source of funding to support the bank's growth and a way to reduce the average cost of deposits through the increase in the number of wage and current accounts. Loans were granted mainly to SMEs, particularly to companies operating in sectors showing more favourable prospects. The results for the 1st quarter of 2013 show a clear increase in the number of new customers, mainly supported by the establishment of a significant number of wage accounts conventions with companies. On the other hand, deposits and credit grew almost 18% and 19%, respectively.

During the 1st half of 2013, Banca Millennium tried to align its costs structure with its banking revenues profile through an ongoing effort to improve its efficiency levels by means of the renegotiation of several outsourcing contracts, simplification of several business key procedures and adjustment of the number of employees to the current activity level, maintaining the Client's service quality. It is important to mention that the bank continued to reduce its operating costs for the 3rd consecutive year. In June 2013 the bank reached, for the 1st time since its incorporation, the operational breakeven on a monthly basis.

The bank maintained a conservative approach to risk, ensuring a solvency ratio aligned with the sector, reducing the loan to deposit ratio and the loans in foreign currencies, adopting a strict credit granting policy and improved procedures for the recovery of past due loans. The loan concession activity focused mainly at short term loans to SMEs operating in selected sectors, collateralized retail credits and at, in a smaller extent, non-collateralized loans to clients showing a good payment history. This policy enabled the bank to improve its credit quality indicators.

Million euros

	1H2013	1H 2012	Change % 13/12	1H 2012	Change % 13/12
				excluding FX effect	
Total assets	651	561	16.1%	560	16.3%
Loans to customers (gross)	481	406	18.4%	405	18.6%
Loans to customers (net)	437	375	16.5%	374	16.7%
Customer funds	351	299	17.4%	298	17.7%
Of which: on Balance Sheet	351	299	17.4%	298	17.7%
Shareholders' equity	75	96	-21.3%	95	-21.1%
Net interest income	8.8	6.7	32.0%	6.7	31.7%
Other net income	5.0	3.8	32.3%	3.8	32.0%
Operating costs	15.1	16.7	-9.6%	16.8	-9.8%
Impairment and provisions	2.8	1.4	104.2%	1.4	103.8%
Net income	-3.5	-6.5	46.6%	-6.6	46.7%
Number of customers (thousands)	57	34	67.9%		
Employees (number)	584	668	-12.6%		
Branches (number)	65	65	0.0%		
% of share capital held	100.0%	100.0%			

FX rates:

Balance Sheet 1 euro =	4.4603	4.4513 new romanian leus
Profit and Loss Account 1 euro =	4.3825667	4.39189167 new romanian leus

During the 1st six months of 2013 net income increased almost 50% if compared with the same period of 2012, converging to break-even, which must be reached in 2014. The operating income increased 79% year-on-year. This improvement was based on an outstanding increase of profits (32%), supported by an increase in the number of clients and in a growth exceeding that of the market and also in an important cost reduction (10%).

Switzerland

The Millennium Banque Privée, incorporated in Switzerland in 2003, is a *private banking* platform that provides services to clients of the Group with high assets, namely discretionary management, financial advising and orders execution services.

On 30 June 2013, the clients' assets under management totalled 1.8 billion, representing a 7% increase if compared with December 2012. This evolution results mainly from the new net assets from clients and of the positive effect of the market quotes, partially compensated by the effect of the deleveraging of the loans to clients portfolio.

During the 1st six months of 2013, the Bank's net income totalled 3.8 million Euros, in comparison with 1.4 million Euros recorded on 30 June 2012. These figures result mainly from the increase in net fees from 7.4 to 9.9 million Euros, mainly related with more brokerage revenues and the positive effect of the market evolution on assets under management. Besides, the bank's cost reduction strategy resulted in a reduction in operating costs, from 9.6 million Euros to 8.8 million Euros. However, the reduction of net interest income, from 3.4 million Euros to 3 million Euros, limited the growth of net earnings.

During the 2nd half of 2013, the bank will focus its attention on offering its clients a number of quality and personalized services, providing a safe and autonomous platform supported by an irrevocable commitment of compliance with the risk profile, a strict management of risks and an efficient IT platform. In order to develop its activities, the Bank will carry out the following initiatives:

- Remain focused at the commercial activities, increasing the Client's trust and ensuring the growth of assets under management;
- Strengthen the commercial activity in the markets covered by Millennium Banque Privée;
- Improve profitability by increasing revenues and reducing costs;
- Increase the quality of the loan portfolio.

Million euros

	1H2013	1H 2012	Change % 13/12	1H 2012	Change % 13/12
				excluding FX effect	
Total assets	398	493	-19.3%	481	-17.2%
Loans to customers (gross)	242	287	-15.7%	280	-13.5%
Loans to customers (net)	217	257	-15.6%	251	-13.4%
Customer funds	2,091	2,061	1.5%	2,010	4.1%
Of which: on Balance Sheet	286	284	0.9%	277	3.5%
assets under management	1,805	1,777	1.6%	1,733	4.2%
Shareholders' equity	99	97	2.5%	94	5.1%
Net interest income	3.0	3.4	-10.6%	3.3	-8.7%
Other net income	10.8	8.0	35.1%	7.8	37.9%
Operating costs	8.8	9.6	-7.8%	9.4	-5.9%
Impairment and provisions	0.0	-0.1	100.0%	-0.1	100.0%
Net income	3.8	1.4	163.2%	1.4	168.8%
Number of customers (thousands)	2	2	-5.7%		
Employees (number)	67	73	-8.2%		
Branches (number)	1	1	0.0%		
% of share capital held	100%	100%			

FX rates:		
Balance Sheet 1 euro =	1.2338	1.203 swiss francs
Profit and Loss Account 1 euro =	1.22883333	1.20351667 swiss francs

Other international businesses

Mozambique

During the 1st six months of 2013, Millennium bim, with 152 branches located throughout the country (147 in June 2012), strengthened its leading position in the banking sector in Mozambique. Apart from a larger branches network, the bank has the highest number of ATMs (399 units) and POS (4,648 units), registering a 10% and 37% growth, year-on-year.

The pressure to increase resources continues, with negative impact on their cost. On the other hand, the maintenance of the monetary policy followed by Banco de Moçambique until May 2013, cutting its reference rates and reducing the issue of Treasury Bills, exercised a negative effect on the Bank's intermediation margins.

Notwithstanding, Millennium bim has been carrying out initiatives that enabled it to maitain its loans market share practically at the same level than June 2012, always taking into consideration the defence of the margin and the quality of the loans granted, privileging good risk operations backed by reinforced collaterals. At the same time, and pursuing its business strategy, the bank has been concentrating its efforts in the capture of customer funds in order to maintain its market share and increase its liquidity levels.

In 2013, the bank continued to launch innovative products and services in order to fully meet the financial needs of its customers, such as:

- Millennium IZI – a *mobile banking* solution that enables individual clients to make, in a reliable, safe and quick manner, all the transactions existing in the remaining electronic channels, exception made to cash transactions. This solution is free and does not involve the installation of any type of *software*.
- Emigrant Solution – addressed to all national citizens that work or reside abroad. This offer includes the Emigrant Account that benefits from specific exemptions and the Emigrant Savings Plan, a flexible product that enables customers to save in a programmed manner besides offering personal insurance, and insurance for medical expenses, death or permanent disability and the payment of funeral expenses in case of death of a relative of the insurance holder.
- Depósito Mola Extra (Individuals) and Depósito Especial Empresa (Companies) – term deposits with very attractive interest rates, the subscription of which gives access to a pre-approved credit line up to 80% of the amount deposited while the deposit is in effect.

The market once again recognized and distinguished the value proposal presented by Millennium bim. The clients trust its products and services and subscribe them, a fact proved by the increase registered in the number of clients, more than 1,182 thousand, representing a 7% increase, year-on-year.

Million euros

	1H2013	1H 2012	Change % 13/12	1H 2012	Change % 13/12
				excluding FX effect	
Total assets	2,055	1,876	9.5%	1,705	20.5%
Loans to customers (gross)	1,191	1,037	14.9%	942	26.5%
Loans to customers (net)	1,114	959	16.3%	871	28.0%
Customer funds	1,571	1,404	11.9%	1,275	23.2%
Of which: on Balance Sheet	1,571	1,404	11.9%	1,275	23.2%
Shareholders' equity	347	325	6.9%	295	17.6%
Net interest income	59.7	72.4	-17.4%	65.7	-9.0%
Other net income	43.3	40.0	8.2%	36.3	19.2%
Operating costs	46.2	47.8	-3.2%	43.4	6.6%
Impairment and provisions	7.4	7.9	-6.7%	7.2	2.8%
Net income	40.5	46.1	-12.2%	41.9	-3.3%
Number of customers (thousands)	1,182	1,107	6.8%		
Employees (number)	2,439	2,507	-2.7%		
Branches (number)	152	147	3.4%		
% of share capital held	66.7%	66.7%			
FX rates:					
Balance Sheet 1 euro =	38.990	35.425	meticais		
Profit and Loss Account 1 euro =	39.8325	36.15041667	meticais		

Consolidated net income reached, on 30 June, 1.61 billion Meticais, equivalent to 40.5 million Euros. Net Interest Income stood at 2.38 billion Meticais and net operating revenues at 4.1 billion (an increase of MZN 42 million). The Return on Equity (ROE) stood at 24.7%.

During the 1st six months of 2013, Millennium bim also guaranteed the maintenance of high financial strength standards, ensuring the robustness of its equity with a solvency ratio of 19.1% and a liquidity representing more than 40% of the market, thus preserving a prudent management model that makes the bank one of the healthiest companies operating in the Mozambican market.

Loans to customers registered a growth of 26%, reaching 46.44 billion Meticais (around 1.191 billion Euros), while the customer funds increased 23% regarding to June 2012, to 61.261 billion Meticais (1.571 billion Euros).

The subsidiary company of Milllennium bim, the insurance company Seguradora Internacional de Moçambique, maintained its leading position in the insurance market, registering an increase in processed income of 31%, equivalent to 668 million Meticais, i.e. 16.8 million Euros. The Bank's net income totalled 177 million Meticais (4.5 million Euros).

For Millennium bim, to be socially responsible is a fundamental component of its mission, translated in the valuing of its employees and in the effective exercise of its social responsibility towards the community. The Social Responsibility Programme of Millennium bim "Mais Moçambique pra Mim", now in its 7th anniversary, maintains actions targeted at sports, education, health, culture and other community intervention areas.

Angola

In 2013, Banco Millennium Angola (BMA) established as main strategic guidelines, the growth of the business based on i) new clients, ii) increase the sale of its products and iii) the strengthening of its positioning in the Angolan financial market. The expansion of the commercial network, the offer of personalized and innovative products and the provision to all its Clients of a service of excellence adapted to all market segments, continued to be the prime objectives of BMA. One must also mention the attention given to the admittance and training of Angolan employees and also to the risk monitoring and management procedures.

In that sense, during the 1st six months of 2013, BMA developed a number of initiatives aimed at materializing its strategy, namely:

- Inauguration of 2 new branches and 4 Prestige Centres, reaching by the end of June a total of 78 branches (41 open on Saturdays), 7 Prestige Centres and 6 Corporate Centres (one specialized in the oil industry).
- Launching of the Deposit "Mais Amigos", that challenges the clients to bring friends or relatives to open a current account with the Bank increasing the interest rate of their savings, and the Deposit "Renda Certa", a risk-free term application whose interests are credited monthly in the current account. The Bank renewed the communication strategy of the "Mulher" card, the first multi-cash debit card exclusively for women.
- The bank strengthened its commitment towards the programme Angola Investe, by means of several initiatives involving the media and the branches to help the creation of micro, small and medium enterprises. We must underline the launching of the PACK PME for the Industry, Agriculture and Fishery sectors.
- Concerning innovation, one must point out the re-launching of the mobile application, with extension to the *smartphones* with an Android operating system and the remittance by e-mail of the Prestige and Business newsletters to all customers of those segments that already receive current account e-statements.
- Development of the offer for the oil sector, including mechanisms for payments in batches using the *internet banking* channel, completely *straight through processing* (STP), remittance of *Swift* messages (also STP) and statements, in accordance with the foreign exchange regulations issued by Banco Nacional de Angola for this sector.
- Maintenance of the actions necessary to anticipate, measure, control and monitor the several risk components of the bank's activities, reporting information to CALCO and to the Credit Risk Committees, proposing information on the level of risks incurred. It is also important to highlight the launching of the project for the development of mechanisms to measure, manage and control operational risk.

- Implementation and development of several actions for the recruitment, loyalty, retention and training of employees, namely: i) participation in recruitment fairs in Lisbon and Luanda; ii) presentations at the main universities of Luanda to capture potential employees and scholarship applicants, iii) continuance of the partnership with recruitment companies, reception of spontaneous applications and disclosures at the media, iv) over 2,300 hours of training, including integration actions, pedagogic branch, excellence attendance and e-learning, and v) Internal Mobility and Individual Performance Evaluation Processes in order to foster a correct career progression and the development of the employees' competences.

Million euros

	1H2013	1H 2012	Change % 13/12	1H 2012 excluding FX effect	Change % 13/12 excluding FX effect
Total assets	1,382	1,429	-3.3%	1,371	0.8%
Loans to customers (gross)	535	533	0.5%	511	4.8%
Loans to customers (net)	506	506	0.0%	485	4.2%
Customer funds	970	872	11.3%	836	16.1%
Of which: on Balance Sheet	970	872	11.3%	836	16.1%
Shareholders' equity	237	209	13.5%	200	18.4%
Net interest income	33.3	34.6	-3.8%	34.2	-2.5%
Other net income	29.4	25.8	13.9%	25.5	15.4%
Operating costs	35.4	35.8	-1.3%	35.4	0.0%
Impairment and provisions	3.2	3.7	-12.9%	3.6	-11.7%
Net income	18.3	17.3	5.6%	17.1	7.0%
Number of customers (thousands)	272	190	43.2%		
Employees (number)	1,066	934	14.1%		
Branches (number)	78	65	20.0%		
% of share capital held	50.1%	50.1%			

FX rates:			
Balance Sheet 1 euro =	126.02	120.86	kwanzas
Profit and Loss Account 1 euro =	126.29333333	124.60583333	kwanzas

By the end of the 1st six months of 2013, BMA attained a net income of 18.3 million Euros, representing a 7% growth (in AOA) if compared with the same period of 2012. Net operating revenues increased 5% versus June 2012, favoured by the expressive increase in net fees (36%), compensating a lower net interest income (-2%) penalized by the evolution of the interest rates of public debt securities. Return on Equity (ROE) stood at 16.3% and the cost-to income ratio at 56.4% (59.3% in June 2012).

Total assets amount to 1.382 billion Euros, showing a 1% increase in AOA versus June 2012. Customer funds increased around 16%, totalling 970 million Euros and loans to customers (gross) totalled 535 million Euros, representing more 5% versus June 2012. The loan-to deposit ratio corresponded to 55.2% (61.1% in June 2012).

The quality of the loans portfolio evaluated by the ratio of NPL for more than 90 days versus total loans amounted to 2.5% in June 2013 (3.3% in June 2012), and the NPL for more than 90 days coverage ratio stood at 226% (152% in June 2012);

Macau

The Macau Branch achieved an income totalling 9.1 million Euros during the 1st six months of 2013, representing a 41% increase versus the same period in 2012, reflecting the null cost of risk in 2013 and the increase in net interest income (+37%).

The increase in loans portfolio due to a price/volume good performance, the positive evolution of the *spreads* and the advantageous *mix* in the deposits portfolio (current and term deposits) were the basis for the income obtained during the 1st six months of 2013.

The most significant activities and events carried out by the Branch in Macau during the 1st six months of 2013, were:

- The branch moved into a more modern building and that move implied the modernization of the operational equipment, providing the branch with the logistic capacity to better assist the companies that are clients of the Bank and wish to use the Macau platform to develop their businesses in southern China;

- New Chinese clients in Portugal – ARI system – through contacts with *brokers,* the correspondent opening of accounts in Macau and Portugal as well as the capture of the respective financial flows;
- The Branch continued to modernize the IT solutions for Clients and the *back-office* platform, namely IMEX (external trade), e-banking, IDW (Risk, AML/Actimie & EAS);
- Carried out activities in order to become "FACTA Compliance";
- Expansion of the services provided to Clients by the several networks of the Bank, particularly the increasing interest shown by the Private, Companies and Corporate networks in the Macau solution.

Cayman Islands

The Millennium bcp Bank & Trust, a bank with registered office in the Cayman Islands, holder of a class "B" banking license, provides international banking services to clients that do not reside in Portugal. The Cayman Islands are considered a cooperating jurisdiction by Banco de Portugal.

During the 1st six months of 2013, consolidated net income of Millennium bcp Bank & Trust stood at 7.8 million Euros, which represents an increase of 2.4 million Euros year-on-year, driven by the favorable evolution of the net interest income and commissions.

Million euros

	1H 2013	1H 2012	Change % 13/12
Total assets	1,510	2,866	-47.3%
Loans to customers (gross)	93	260	-64.0%
Loans to customers (net)	92	258	-64.2%
Customer funds	692	813	-14.9%
Of which: on Balance Sheet	681	799	-14.8%
off Balance Sheet	11	14	-24.3%
Shareholders' equity	282	280	0.8%
Net interest income	8.7	7.3	19.0%
Other net income	0.5	-0.5	202.0%
Operating costs	1.4	1.6	-9.5%
Impairment and provisions	0.0	-0.1	92.8%
Net income	7.8	5.4	43.7%
Number of customers (thousands)	0.5	0.6	-23.7%
Employees (number)	18	18	0.0%
% of share capital held	100.0%	100.0%	

Millenniumbcp Ageas

The economic and financial crisis, which suffered an aggravation in the last two years, continues to affect the evolution shown by the insurance market. The Bank's balance sheet deleveraging process is almost complete, before the established deadline. This process produced very negative effects in the insurance industry, especially in life insurances where more than 90% of the premium volumes comes from the banking channel. However, and in spite of the growth shown by the volumes in the 1st six months of 2013, the funds under management (mathematical provisions) remain practically the same showing that the recovery process of the life insurance business is still very incipient. Volumes in non-life insurance businesses continue to fall due to the recessive economic environment that is affecting Portugal, leading to an increase in the number of insurances annulled and to a decrease in the insured assets.

The 1st six months of 2013 turned out to be both extremely demanding and challenging; Millenniumbcp Ageas is committed to executing the new strategic agenda, denominated Vision 2015, defined during the 2011 financial year with the aim of, strategically, redefining the business model of Millenniumbcp Ageas and ensuring its future development. The main guidelines of this strategy are the increased attention given to non-life insurance businesses, the sector where Millenniumbcp Ageas has more opportunities to grow due to the fewer products sold keeping, nevertheless, its leading position in the life insurance business, an activity that will continue to be, during the forthcoming years, its main source of income.

The execution of the new agenda is already giving a new profile to Millenniumbcp Ageas: throughout the 1st six months, the premiums of non-life insurance grew, despite the fall registered by the market; it was also able to maintain a leading position in the life insurance business, maintaining a sustained profitability, succeeding in the strengthening of the balance sheet translated in a solvency ratio three times above the one legally required.

The life insurance business, driven by the financial products, presented a significant growth in premiums during the 1st six months of 2013, showing a 49%, increase versus the same period of 2012. However, and as mentioned before, the volume of mathematical provisions remained, more or less, stable. Concerning the life insurance business, Millenniumbcp Ageas' performance was better than that of the market (a 48.5% growth in the volume of premiums). It continues to have a leading position in what concerns mathematical provisions, with a share market above 25%. Contrary to what happened in the market (showing a 3.8% decline) the non-life insurance business of Millenniumbcp Ageas showed a 3.0% growth.

The good operating performance, both in life and non-life, notwithstanding the increase in the number of incidents in some businesses due to adverse weather conditions, and cost control enabled Millenniumbcp Ageas to achieve a net income of 53 million Euros by the end of the 1st six months of 2013. Its financial strength has been strongly reinforced, as evidenced by its consolidated solvency ratio of 302% (273% by the end of 2012).

€ M, except for percentages

Key Indicators	Jun-2013	Jun-2012	Change
Direct Written Premiums			
Life	605	407	48.5%
No Life	123	120	3.0%
Total	728	527	38.2%
Market Share (*)			
Life	11.7%	12.6%	
No Life	5.9%	5.6%	
Total	9.8%	9.9%	
Technical Margin (1)	103	121	-14.6%
Technical Margin Net of Operating Costs	67	83	-20.0%
Net Profit (2)	53	62	-14.7%
Gross Claims Ratio (Non-Life)	67.4%	61.1%	
Gross Expense Ratio (Non-Life)	22.6%	22.6%	
Non-Life Gross Combined Ratio	90.0%	83.8%	
Life Net Operating Costs/Average of Life investments	0.8%	0.9%	

(1) Before allocation of administrative costs

(2) Before VOBA ("value of business acquired")

PENSION FUND

As at 30 June 2013, pension liabilities were fully funded and kept at a higher level than the minimum set by the Bank of Portugal, presenting a coverage rate of 117% (105% at the end of June 2012). On the same date, the pensions liabilities reached 2,304 million Euros, which compares with 2,393 million Euros registered on 30 June 2012. The Pension Fund recorded, as of 30 June 2013, a positive rate of return of 0.6%, which compares with a negative rate of return of 4.1% as of 30 June 2012.

As at 30 June 2013, the bank kept the Pension Fund's actuarial assumptions considered at the end of 2012 for the purpose of determining the liabilities related to retirement pensions. At the end of the 1st semester of 2013 the main actuarial assumptions were: 4.5% discount rate, salary growth rate of 1.0% until 2016 and 1.75% after 2017 and pension growth rate of 0% until 2016 and 0.75% after 2017. The actuarial differences recorded in the 1st six months of 2013, considering the financial and non-financial, reached 45 million Euros.

Actuarial differences in the 1st six months of 2013 had a negative impact, after tax and after corridor impact, of 7 basis points on core tier I ratio. However, considering the additional negative effects associated to the depreciation of deferred impacts allowed by the Bank of Portugal, the impact increased to 9 basis points.

Risk Management

RISK MANAGEMENT

Throughout the 1st half of 2013, 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.

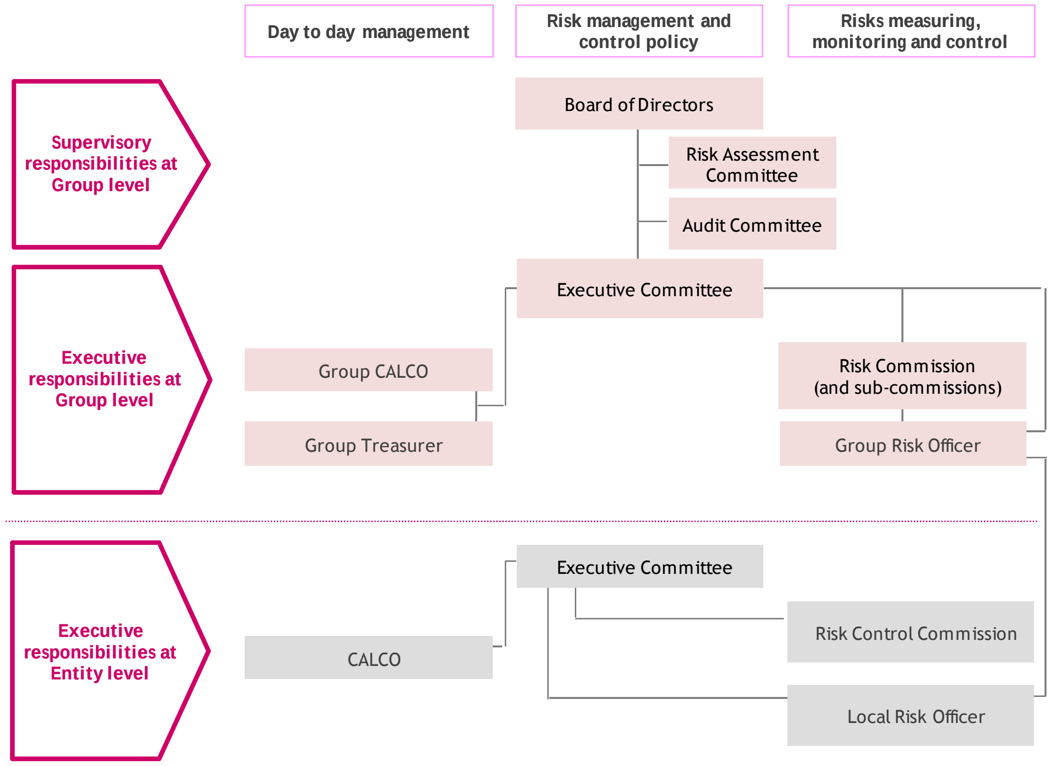
The risk management activities were centred on the following lines of action:

- Development 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, both in Portugal and Poland;
- 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 (2012-2013);
- Participation in the approval process of new products to be commercialized by the Bank networks;
- Development of improvements for the strengthening of internal procedures concerning the assessment and the reporting of risks;
- Conclusion of the Credit Portfolio Impairment Revision broad-reaching exercise, promoted by Banco de Portugal;
- Participation in the EBA/TCOR exercise for market risks, aimed at a broad basis assessment of the coherence of capital requirements assessed by internal models;
- Integration of the valuation and counterparty risk control functions within the market risks control activities - namely, with the financial markets activities - thus creating a single responsibility line concerning these matters (that was divided between different units before);
- Participation in the quarterly reviews of the Group's Capital and Liquidity Plan and associated stress tests;
- Characterization of the negotiation strategies associated with each of the Group's management areas, allowing for the optimization of the trading book's dimension as well as for a specific focusing on the management of credit and interest rate risks in the case of the investment and ALM portfolios;
- Launching of the formal application to join the ORX Consortium, for operational losses data sharing.

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

The risk management governance framework encompasses several bodies, as represent in the following chart:



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

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

The Risk 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 Commission, the Group Risk Officer, the Compliance Officer and the Heads of Internal Audit, of Treasury and Markets, of Research, Planning and ALM, of Credit and of Rating.

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 Human Resources and of Research, Planning and ALM. 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 Commission's member responsible for the financial area and a further four members of the Commission are also members of this body. The other members of the CALCO Group are appointed by the Executive Commission, including, among others, the Heads of Research, Planning and ALM, of Treasury and Markets, of Management Data, of Corporate Business and of Marketing.

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 Commission.

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.

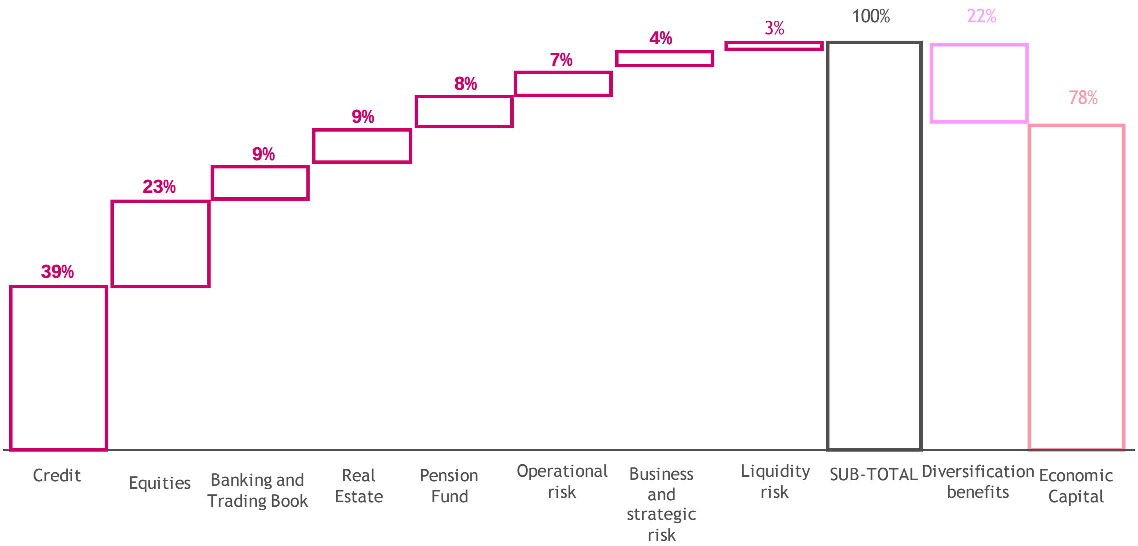
Economic Capital

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 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 June 2013:

Economic Capital breakdown
June 30, 2013



Credit risk continues to be the most significant for the Group. Equities risk represented 23% of the total economic capital (before diversification benefits); the Group's participation in Piraeus Bank contributes for the weight of this risk.

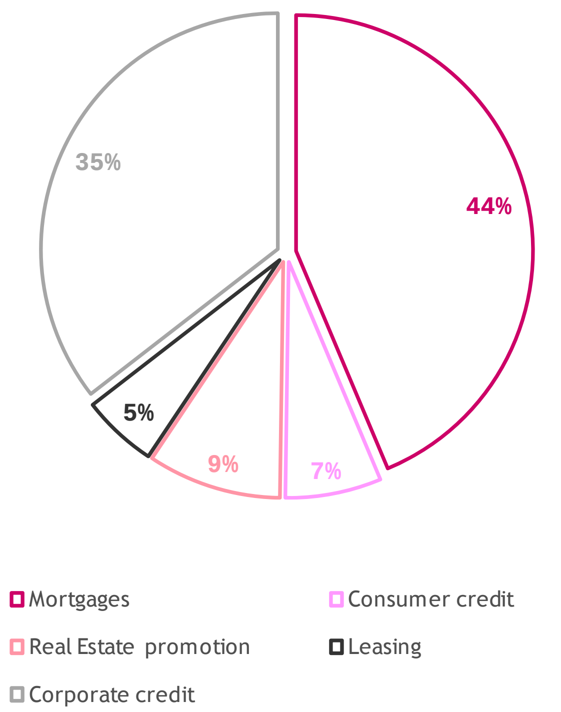
Credit risk

In the 1st half of 2013, the following activities - concerning credit risk assessment, follow-up and control, for the different portfolio segments - are highlighted:

- Redesigning and relevant improvements in internal rating models for the real-estate promotion segment;
- Development of a new methodology for the assessment performance of the credit recovery areas, based on the evolution of the Expected Loss and reflecting credit exposure, collateral levels, term in default and the result of the recovery process at stake;
- Meetings of the Validation Committees concerning the PD models for real estate promotion, the LGD model for Corporate exposures, the Expected Loss Best Estimate (ELBE) model and the Credit Conversion Factors (CCF) model.

Credit portfolio structure

The graphs below present the breakdown of the consolidated direct credit portfolio, as at 30th of June 2012, in terms of exposure classes:



Credit concentration risk

As previously referred, by the end of the 1st 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.

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 1st half of 2013, 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	7.2%	1.4%
Group 2	7.1%	1.7%
Group 3	3.4%	0.7%
Group 4	3.1%	0.7%
Group 5	2.9%	0.8%
Group 6	2.8%	0.6%
Group 7	2.5%	0.6%
Group 8	2.1%	0.5%
Group 9	2.0%	0.5%
Group 10	1.6%	0.3%
Group 11	1.6%	0.6%
Group 12	1.5%	0.4%
Group 13	1.4%	0.3%
Group 14	1.3%	0.4%
Group 15	1.3%	0.3%
Group 16	1.2%	0.3%
Group 17	1.2%	0.2%
Group 18	1.1%	0.4%
Group 19	1.1%	0.3%
Group 20	1.1%	0.3%
Total	**47.6%**	**11.4%**

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 1st half of 2013, as planned, several validation, calibration and revision/improvement actions were performed over credit risk and market risks models.

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.

Operational risk

The Group's activities related to the management of this risk were continued in the 1st half of 2013 in the main subsidiaries of the Group, with the following achievements' highlights:

- Reinforcement of the operational losses database through the systematic identification of new events in the main Group operations;
- Launching or preparation of new self-assessment exercises in the main operations, with a highlight for the first workshops performed in Cayman;
- The regular monitoring of the risk indicators that contribute for an early identification of changes in the processes' risk profiles;

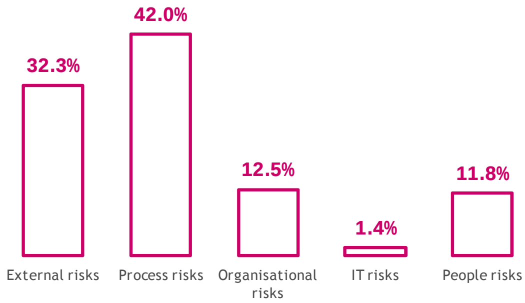
- The launching of the operational risk management system in Cayman and preparation for the launching in Angola;
- The increase effectiveness in the use of the operational risk management instruments by the Process Owners, concerning the identification of improvements that contribute for the reinforcement of the processes' control environment;
- Launching of initiatives to prepare the adoption of the Advanced Measurement Approach (AMA); namely, the development of a statistical model and the application to join the ORX Consortium.

Operational losses

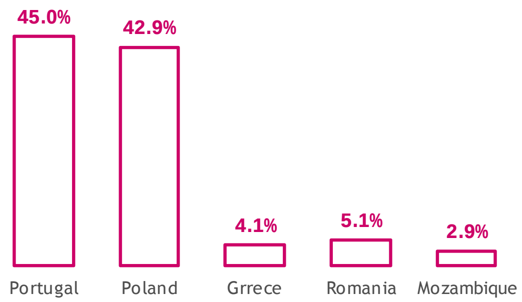
The main goal for creating an operational loss events' database is to increase awareness of this risk and provide relevant information to the Process Owners, for incorporation within the processes management.

The profile of the events recorded in the database of the Group until 30 June 2013 – 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).

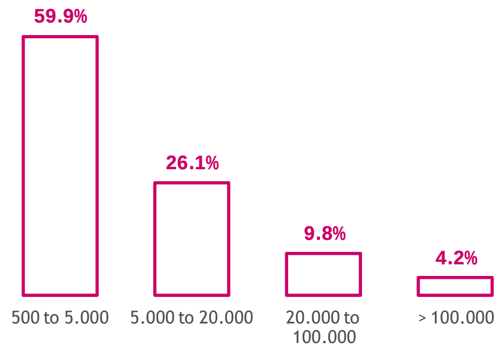
LOSS AMOUNTS DISTRIBUTION
By type of event



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, and then analysed by the Risk Commission and authorised by the Executive Commission.

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. This unit and the Risk Office share information for the purpose of strengthening the coverage of the policies, as well as for increasing the quality of the operational losses database.

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. It should be noted that this trading book definition is not the same as its accounting definition; in fact, the negotiation concept here is strictly connected to the goals of holding the positions, rather than to its accounting treatment.

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. The adequacy of this parameter is regularly assessed by the Models' Control unit, through standard criteria.

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. A note should be made to the fact that this approach to the trading book market risks is also followed for the portfolios of other management areas, whenever these incur in these type of risks.

The table below presents the values at risk measured by the methodologies referred to above, for the Trading Book, between 31 December 2012 and 30 June 2013:

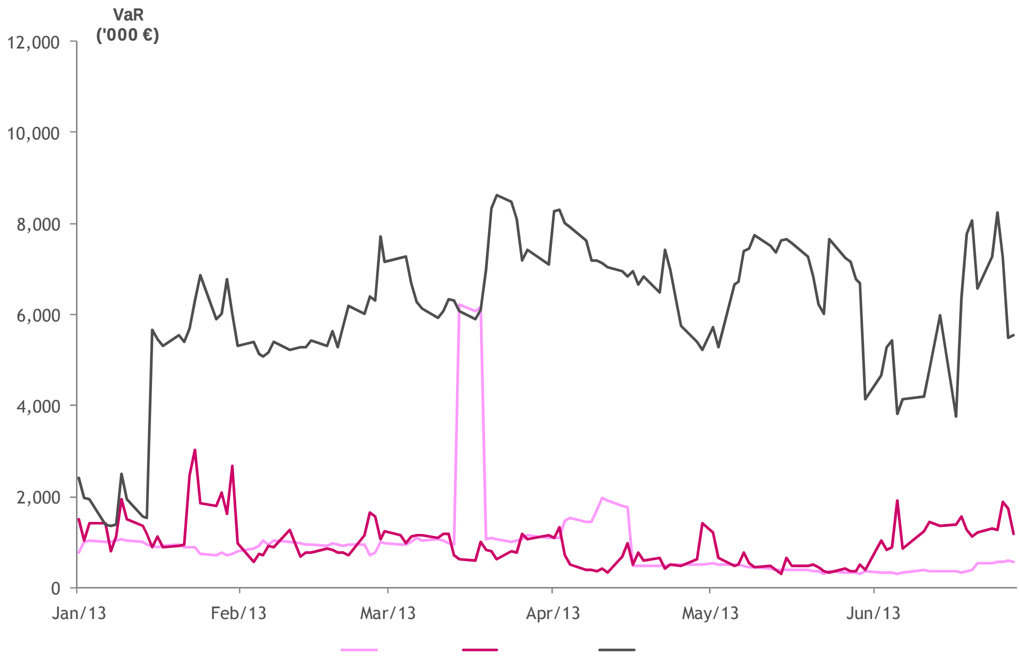
thousand euros

	Jun-13	Average	Max.	Min.	Dec-12
Generic risk (VaR)	5,083.8	6,391.9	10,494.4	2,374.7	3,576.1
Interest rate risk	5,545.6	6,046.9	6,108.9	1,355.8	2,370.7
FX risk	1,183.3	982.2	995.8	802.5	1,345.8
Equity risk	582.7	927.2	6,154.7	1,002.6	713.2
Diversification effects	2,227.8	1,564.4	2,765.0	786.2	853.6
Specific risk	813.0	838.4	1,593.6	729.6	727.8
Non-linear risk	128.6	98.1	278.2	9.4	12.9
Commodities risk	10.9	54.4	81.3	9.7	46.9
Global risk	6,036.4	7,382.8	12,245.3	3,283.3	4,363.7

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).

Along the 1st half of 2013, the Group's trading book risk showed reduced materiality levels in spite of the relevant increases of market volatility, mainly observed in the Public debt from the Southern European countries. In the 1st half of 2013, the previous market trend for a greater volatility of this segment (when compared to the other market segments) was maintained. Within this environment, the Bank continued to act very prudently, even in terms of the size of its trading book.

The next graph shows that the trading book's main risk during the 1st half of 2013 was the interest rate risk and that the VaR increases that have occurred in that period were due to this type of risk (in particular, due to the volatility increases in the Public Debt segment).

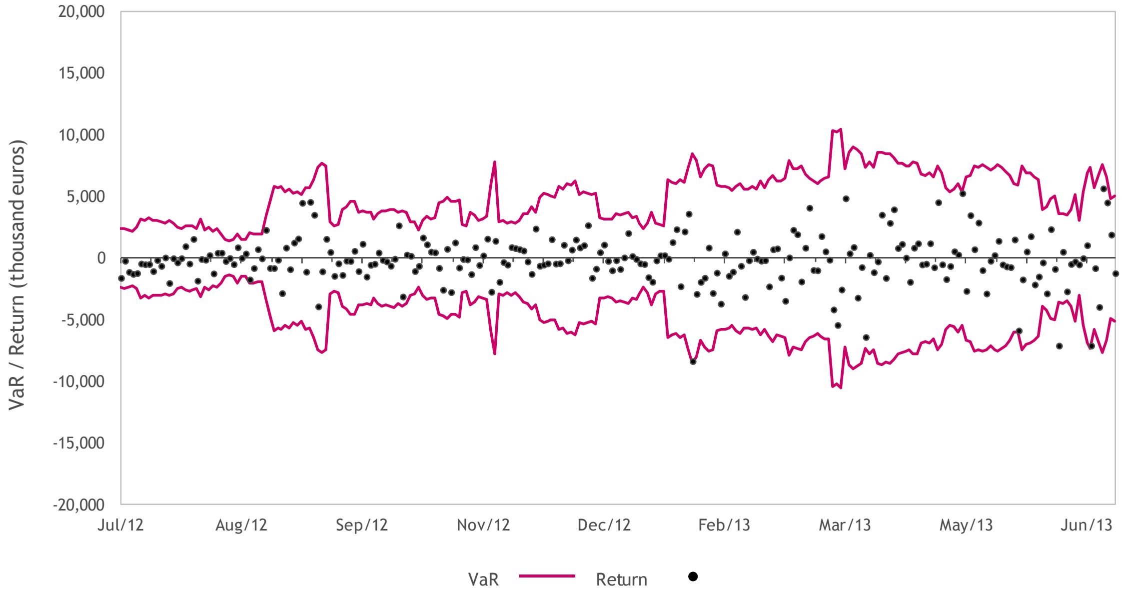


Monitoring and validation of the VaR model

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 back testing, estimation of the effects of diversification and scope analysis of the risk factors considered.

The following graph illustrates the hypothetical back testing for the trading book, confronting the VaR indicators with the hypothetical results of the model used.

Var (Trading Book) – Hypothetical backtesting



As shown by this graph, only 1 excess value was observed (around 0.4% of frequency for 248 business days) over the hypothetical results of the model, which confirms its adequacy for the assessment of the risks in question.

This excess has occurred in the beginning of June 2013, as a result of a sharp daily increase of the Portuguese Public Debt interest rates.

Stress tests over the trading book

As a complement to the VaR calculation and aiming at identifying risk concentrations that are not captured by this measurement and, also, for the purpose of testing other possible loss dimensions, the Group continuously tests a broad set of stress scenarios over the trading book and analyses its results.

The results of these tests on the Group's trading book, as at 30th of June 2013, were as follows:

million euros

Tested scenarios	Negative results scenario	Result
Parallel shift of the yield curve by +/- 100 bps	+ 100 bps	-10.8
Change in the slope of the yield curve (for maturities from 2 to 10 years) by +/- 25 bps	+ 25 bps	-0.7
4 possible combinations of the previous 2 scenarios	+ 100 bps and + 25 bps	-11.5
	+ 100 bps and - 25 bps	-10.1
Variation in the main stock market indices by +/- 30%	+30%	-2.1
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-4.0
Variation in swap spreads by +/- 20 bps.	- 20 bps	-0.04

The results from these stress tests show that the Group’s trading book exposure to the several risk factors considered is limited and that the main adverse scenario at stake is an increase in interest rates, especially if that increase is accompanied by an increase in the steepness of the yelds curve.

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 2013, 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 € -66 M 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:

Impact of a +100 bps parallel shift of the yeld curves

Repricing gap in EUR

	Reprincing terms to maturity					
	< 1 Y	**1 - 3 Y**	**3 - 5 Y**	**5 - 7 Y**	**> 7 Y**	**Total**
Commercial area activity	24.990,4	96.374,1	-2.618,5	-220,4	315,3	118.840,9
Structural area activity	-9.406,7	44.648,4	118.554,7	16.708,5	12.551,5	183.056,4
Subtotal	**15.583,7**	**141.022,5**	**115.936,2**	**16.488,1**	**12.866,8**	**301.897,3**
Hedging	-20.648,1	-142.392,9	-113.261,8	-17.035,9	-15.394,3	-308.733,1
Commercial and Structural total	**-5.064,4**	**-1.370,4**	**2.674,4**	**-547,8**	**-2.527,5**	**-6.835,7**
Funding and Hedging	20.304,2	1.853,2	-5,7	-8,1	-289,2	21.854,4
Investment portiolio	-51.089,7	-4.923,0	-1.150,0	-1.003,5	-1.000,8	-59.166,9
ALM	3.196,8	39.092,6	1.513,7	-37.744,3	-27.526,0	-21.467,3
Banking Book total (Jun 2013)	**-32.653,2**	**34.652,4**	**3.032,4**	**-39.303,7**	**-31.343,5**	**-65.615,6**
Banking Book total (Dec 12)	-7.931,1	28.704,4	52.450,3	-24.998,8	-64.568,5	-16.343,7

Hence, the sensitivity of the banking book to the interest rates variation has increased, when compared to the situation by the end of 2012: an increase of 100 bps in interest rates would then lead to an economic value loss of around € 16 M, while such an interest rate change would cause a loss of € 66 M by June 2013.

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 market risks control model for the trading book, already mentioned.

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 2013, the Group's financial holdings in USD, CHF and PLN were covered.

On a consolidated basis, these edges are identified, in accounting terms, as "Net investment" hedges, in accordance with the IFRS definition. Hedge accounting also occurs, on an individual basis, at the subsidiaries (in this case, through Fair Value Hedges).

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.

These positions have small dimension and risk within the Group's investment portfolio, only representing around 7.2% of this portfolio's VaR by 30th of June 2013.

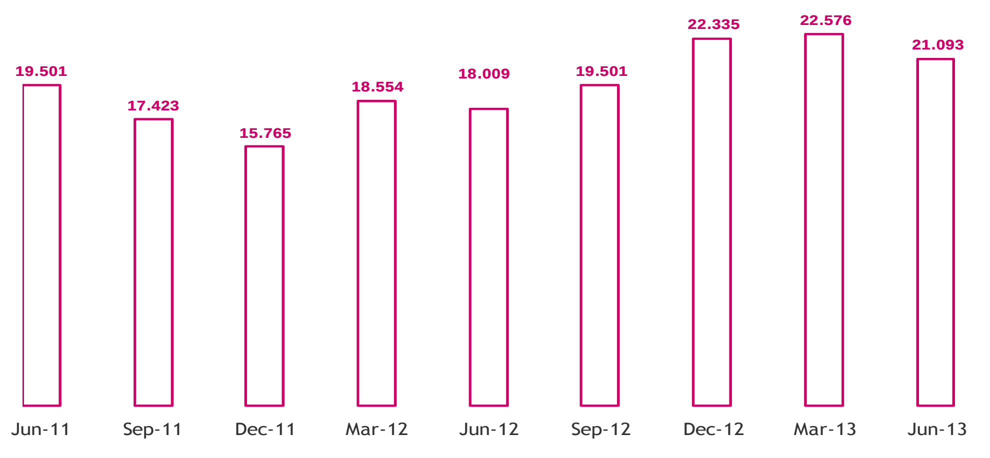
LIQUIDITY RISK

Liquidity risk reflects the Group's potential inability to meet its obligations at maturity without incurring in significant losses, resulting from the deterioration of funding conditions (funding risk) and/or sale of its assets below market value (market liquidity risk).

Within the current financial markets environment, the Group has been pursuing a strategy of reducing its commercial gap (the difference between clients' deposits and credit to clients), aimed at reducing its funding risk. The commercial gap in Portugal was significantly reduced, contributing to a decrease of around € 1.2 B in the Group's wholesale funding balance between 30th of June 2012 and 2013, with a favourable impact on the funding needs.

Simultaneously, as a complementary measure to mitigate liquidity risk, the Bank maintains an optimization policy concerning the management of the European Central Bank (ECB) discountable assets. The recent evolution of this portfolio is illustrated by the following graph:

Eligible assets for discounting at the ECB
After haircuts — million euros



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.

The table below illustrates the wholesale funding structure, as at 30 June 2013 and 31 December 2012, in terms of the relative importance of each instrument used:

Liquidity breakdown
(Wholesale funding)

	28 Jun 2013	31 Dec 2012	Weight difference
MM	4.5%	2.4%	2.1%
BCE	51.6%	51.2%	0.4%
CoCo's	13.0%	12.5%	0.5%
Commercial Paper	6.3%	6.1%	0.2%
Repos	0.4%	0.2%	0.2%
Loan agreements	3.6%	4.1%	-0.5%
Schuldschein	0.9%	1.0%	-0.1%
EMTN	9.2%	12.1%	-2.9%
Equity Swaps	0.0%	0.1%	-0.1%
Covered bonds	9.1%	8.9%	0.2%
Subordinated debt	1.4%	1.4%	0.0%
TOTAL	**100.0%**	**100.0%**	-

Along the 1st semester of 2013, the relative importance of medium and long term debt securities (EMTN) within the Group's wholesale funding structure continued to follow a decreasing trend from previous years, due to the impossibility of obtaining new financing in that market. On the other hand, the weight of the ECB funding has increased slightly (even if there was a decrease in absolute terms), continuing to be the main funding source.

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, on 30th of June 2013, are presented in the following table:

Liquidity indicators

thousand euros

	Immediate liquidity	Quarterly liquidity
Portugal	0.0	0.0
Poland	0.0	0.0
Greece	0.0	0.0
Romania	0.0	0.0
Angola	0.0	0.0

In all geographies (except for Greece) there was a liquidity positive balance, as shown by these indicators, both in immediate or in a quarterly horizon, reflecting the prudent management of the several Group treasuries towards this risk.

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 2013 and 31 December 2012, these indicators were as follows:

Liquidity control indicators

	Reference value		Jun-13	Dec-13
Accumulated net cash-flows up to 1 year as a % of total accounting liabilities	Not less than (- 6 %)		5,8%	9,6%
Liquidity gap as a % of illiquid assets	Not less than (- 20 %)		3,1%	2,9%
Loans to Deposits ratio	Not higher than 150 %	a)	117,0%	119,9%
		b)	123,2%	127,8%
Wholesale Funding coverage ratios by Highly Liquid Assets (HLA)				
Up to 1 month	> 100 %		505,9%	878,6%
Up to 3 months	> 85 %		352,7%	357,4%
Up to 1 year	> 60 %		204,5%	298,8%

a) Considering Balance-Sheet Structured Products equivalent to deposits

b) As defined by Banco de Portugal's Instruction no. 16/2004, in its current version

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 weekly and its evolution is followed by the Group CALCO, the Group Treasurer and the Group Risk Officer.

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.

Until last June, the Pension Fund registered a gross return of 0.74%, mainly justified by the positive performance of bonds and real-estate funds.

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 THE FINANCIAL CRISIS

The Group's portfolio does not have any exposure either to the US sub-prime/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 in relation to 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 daily 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 credit securitisation operations based on loans to individuals – mortgage loans and consumer credit – as well as 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, releasing 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 2013, the Group's net exposure to Portuguese sovereign debt was 6.6 billion Euros, net exposure to Irish sovereign debt was 0.2 billion Euros, net exposure to Italian sovereign debt was 50 million Euros and net exposure to Spanish sovereign debt was 44 million Euros, amongst which 493 million Euros was recorded under the portfolio of financial assets held for trading and available for sale, and 9.256 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 situations is presented in Note 56 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 1st Half of 2013 Accounts and Notes to the Accounts. Further information on 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.

COMPLIANCE WITH THE RECOMMENDATIONS OF THE FINANCIAL STABILITY FORUM AND EUROPEAN BANKING AUTHORITY REGARDING TRANSPARENCY OF INFORMATION AND ASSET VALUATION

		Page
I.	**Business Model**	
1.	Description of the business model (i.e. reasons for the development of the activities/businesses and respective contribution to the process of creation of value) and, if applicable, of any changes made (for example as a result of the period of turbulence).	*1HR (Management Report) – Business Model, page 10-14; Governance Model, page 22-23; Segmental Reporting - Business Areas Activity, page 57-80*
2.	Description of strategies and objectives (including those specifically related to the undertaking of securitisation operations and operations with structured products).	*1HR (Management Report) – Strategy, page 30-31*
3.	Description of the importance of the activities developed and respective contribution to the business (including in quantitative terms).	*1HR (Management Report) – Segmental Reporting - Business Areas Activity, page 57-80; (Accounts and Notes to the Accounts) – Indicators of the consolidated Balance Sheet and Income Statement by business and geographic segment*
4.	Description on the type of activities including a description of the instruments used, their operation and qualifying criteria that the products/investments must meet.	*1HR (Management Report) – Risk Management, page 83-97; (Accounts and Notes to the Accounts) – Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity*
5.	Description of the objective and extent of the involvement of the institution (i.e. commitments and obligations assumed) relative to each activity developed.	
II.	**Risks and Risk Management**	
6.	Description of the nature and extent of risks incurred in relation to the activities developed and instruments used.	*1HR (Management Report) – Risk Management, page 83-97; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale; Risk Management*
7.	Description of risk management practices (including, in particular, under current circumstances, liquidity risk) of relevance to the activities, description of any identified weaknesses and corrective measures that have been adopted. (In the current crisis, particular attention should be given to liquidity risk.)	*1HR (Management Report) – Risk Management, page 83-97; (Accounts and Notes to the Accounts) – Risk Management*
III.	**Impact of the period of financial turbulence on earnings**	
8.	Qualitative and quantitative description of earnings, focusing on losses (when applicable) and the impact of write-downs on earnings.	*1HR (Management Report) – Financial Review, page 43-56; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale*

		Page
9.	Breakdown of write-downs/losses by type of product and instrument affected by the period of turbulence, namely, the following: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO) and asset-backed securities (ABS).	*1HR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 98*
10.	Description of the reasons and factors responsible for the impact incurred.	*1HR (Management Report) – Economic Environment, page 24-25*
11.	Comparison of i) impacts between (relevant) periods; and ii) financial statements before and after the impact of the period of turbulence.	*1HR (Management Report) – Financial Review, page 43-56*
12.	Distribution of write-downs between unrealised and realised amounts.	*1HR (Management Report) – Risk Management, page 83-97; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale; Fair value reserves, other reserves and retained earnings*
13.	Description of the influence of the financial turbulence on the entity's share price.	*1HR (Management Report) – BCP Share, page 33-36*
14.	Disclosure of maximum loss risk and description how the institution's situation could be affected by the prolonging or exacerbation of the period of turbulence or by the market's recovery.	*1HR (Management Report) – Risk Management, page 83-97; (Accounts and Notes to the Accounts) – Fair value reserves, other reserves and retained earnings*
15.	Disclosure of the impact that the evolution of the spread associated to the institution's own liabilities had on net income, as well as the methods used to determine this impact.	*1HR (Management Report) – Financial Review, page 43-56; (Accounts and Notes to the Accounts) – Fair Value*
IV	**Levels and types of exposure affected by the period of turbulence**	
16.	Nominal amount (or amortised cost) and fair values of "live" exposure.	*1HR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 98; (Accounts and Notes to the Accounts) – Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity*

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17.	Information on mitigation of credit risk (i.e. through credit default swaps) and the respective effect on existing exposure.	*1HR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 98*
18.	Detailed disclosure of exposure, with breakdown by: – Seniority level of exposure/tranches held; – Credit quality level (i.e. ratings, vintages); – Geographic origin; – Activity sector; – Source of the exposure (issued, retained or acquired); – Product characteristics: i.e. ratings, weight/portion of associated subprime assets, discount rates, spreads, funding; – Characteristics of the underlying assets: i.e. vintages, loan-to-value ratios, information on liens, weighted average life of the underlying asset, assumptions on the evolution of situations of prepayment, and expected losses.	*1HR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 98*
19.	Movements that have occurred in exposures between relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.).	*1HR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 98*
20.	Explanation of exposure (including "vehicles" and, in this case, the respective activities) that have not been consolidated (or that have been recognised during the crisis) and the associated reasons.	*1HR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 98*
21.	Exposure to monoline insurers and quality of the insured assets: – Nominal value (or amortised cost) of the insured exposure, as well as of the amount of acquired credit protection; – Fair values of "live" exposure, as well as the respective credit protection; – Value of write-downs and losses, differentiated between realised and unrealised amounts; – Breakdown of exposure by rating or counterpart.	*1HR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 98*
V.	**Accounting policies and valuation methods**	
22.	Classification of the transactions and structured products for accounting purposes and the respective accounting treatment.	*1HR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 98; (Accounts and Notes to the Accounts) – Fair value reserves, other reserves and retained earnings; Fair value*

		Page
23.	Consolidation of the Special Purpose Entities (SPE) and other "vehicles", and their reconciliation with structured products affected by the period of turbulence.	*1HR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 98; (Accounts and Notes to the Accounts) – Accounting Policies*
24.	Detailed disclosures on the fair value of financial instruments: – Financial instruments to which fair value is applied; – Hierarchy of fair value (breakdown of all exposure stated at fair value) and breakdown between liquid assets and derivative instruments, as well as disclosures on migration between hierarchical levels); – Treatment of day 1 profits (including quantitative information); – Use of the fair value option (including its conditions for use) and respective amounts (with appropriate breakdown).	*1HR (Management Report) – Risk Management, page 83-97 (Accounts and Notes to the Accounts) – 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*
25.	Description of modelling techniques used for the valuation of financial instruments, including information on: – Modelling techniques and instruments to which they are applied; – Valuation processes (including, in particular, assumptions and inputs underlying the models); – Types of adjustment applied to reflect model risk and other valuation uncertainties; – Sensitivity of the fair value (namely to variations in key assumptions and inputs); – Stress scenarios.	*1HR (Management Report) – Risk Management, page 83-97; (Accounts and Notes to the Accounts) – Fair Value; Risk Management*
VI.	**Other relevant aspects in disclosures**	
26.	Description of the disclosure policies and principles used in the reporting of disclosures and in financial reporting.	*1HR (Management Report) – Risk Management, page 83-97; (Accounts and Notes to the Accounts) –Accouting Policies; Fair Value; Risk Management*

Supplementary Information

Main Events in the First Half of 2013

January

- Agreement with the IFAP (Institute for the Funding of Agriculture and Fisheries), for the opening of a credit line in the amount of Euro 150 million for projects approved under the official programmes PRODER (Rural Development Programme) and PROMAR (Operational Programme for Fisheries).
- Signing of a protocol with Saphety-Level Trusted Services S.A., allowing the provision of an electronic invoicing service to Companies Network Customers.
- As part of the Social Responsibility program “More Mozambique for Me”, the project “Millennium bim Responsável” benefited again from the participation of the Bank's employees and their families in the rehabilitation of the Infant Jesus Centre in Manhiça.

February

- “Millennium Businesses” meetings took place in Guimarães.
- Establishment of a cooperation agreement between Millennium bcp Microcredit and the Municipality of Odemira, with the objective of streamlining access to microcredit and boosting entrepreneurship in the region.
- Under the policy of social responsibility Millennium bcp Foundation opened the “Baixa in Real Time” exhibition to the public, a project of the Lusófona University of Humanities and Technologies’s Department of Museology.
- Distinction of Millennium bcp, at the 2nd Edition of NYSE Euronext Lisbon Awards, as a financial institution that stood out for their contribution to the development of the Portuguese capital market, through the awarding of prizes in four categories: “Investment Fund / Open Pension Fund in Portuguese Stocks”, “Market Member - Most Active Trading House in Certificates”, “Market Member - Most Active Trading House in Compartments B and C Shares” and “Best Capital Market Event Promotion”, for the Global Investment Challenge event.
- Inclusion of Bank Millennium (Poland), for the 5th time, in the index of socially responsible companies - RESPECT Index.

March

- “Millennium Businesses” meetings took place in Aveiro.
- Integrated into its strategy of Mobile Payment, ActivoBank launched a new feature available in its transactional App for smartphones, allowing bank customers to make transfers using the QR Code tool.
- ActivoBank launched an innovative offering intended to lease residential property to Portuguese families, through three new solutions: Banking Guarantee, Personal Credit Line and Salary Protection Insurance.
- Assignment of the Benefactor Member status to Millennium bcp Foundation, by the “World Monuments Fund” Portugal, for the support provided to emblematic National Heritage’s spaces restoration projects in Belém Tower, Jerónimos Monastery Cloisters and Queluz Palace Gardens.
- As part of the commitment to the development of Mozambican culture, Millennium bim has an agreement with the Center for Art and the Fund for Artistic and Cultural Development, in order to rehabilitate the Center for Art’s exhibition room.
- Opening of the exhibition “Shared Art” in Camões - Portuguese Cultural Centre, in Luanda, with the purpose of sharing various works belonging to the private collection of the Bank with the Angolan community.
- Chief Executive Officer Nuno Amado was named the 5th best CEO in Portugal by Institutional Investor magazine, being the only representative of the financial sector included in this list.

- Election of Médis as Trusted Brand in the Health Insurance category, for the 5th time (3rd time in a row), by the readers of Reader's Digest.
- Recognition of Bank Millennium (Poland) as one of the 100 friendliest companies in the Polish market, an initiative voted on the website of the "Service Quality Stars", in the 6th Edition of the Quality Program Service performed in Poland, rewarding companies that are attentive to the quality of customer service.

APRIL

- Successful conclusion of the negotiations between BCP and Piraeus Bank resulting in the signing on 22 April of definitive agreements with Piraeus regarding: (i) the sale of the entire share capital of Millennium Bank (Greece) (MBG) and, (ii) the investment by BCP in the forthcoming capital increase of Piraeus Bank. This agreement falls within the framework that has been defined by the Bank of Greece and the Hellenic Financial Stability Fund (HFSF) for the restructuring of the Greek banking system and strengthening its financial stability. The terms and conditions of the transactions have been approved by the HFSF.
- Contract between the EIB and Millennium bcp to lend 200 million Euros to Portuguese SME.
- "Millennium Businesses" meetings took place in Braga.

MAY

- Conclusion on May 20, 2013 of the Annual General Meeting of Shareholders, with 46.79% of the share capital represented and approval of all the proposals presented to the General Meeting.
- Inclusion in the "Euronext Vigeo Europe 120" and "Ethibel Excellence Europe" Sustainability Stock Market Indexes.
- Signing of a memorandum with the Portuguese Authors Society establishing Millennium bcp's sponsorship during one year.
- Setting up of a cooperation memorandum between the Millennium bcp's Microcredit network and MELOM which has as goal to aims to speed up and streamline access to microcredit to all franchisees MELOM.
- "Best Bank in Mozambique" award granted by the Global Finance magazine.

JUNE

- Completion, on June 28, of a synthetic securitization transaction with placement in the capital markets with the aim of releasing regulatory capital associated to a SME and Entrepreneurs through effective risk transference.
- Repurchase and full cancelation of the 1,750 million Euros floating rate notes issue guaranteed by the Portuguese Republic under the State Special Guarantee Framework of the Portuguese Republic.
- Completion on June 19, 2013 of the sale of entire share capital of Millennium Bank Greece to Piraeus Bank, in accordance with the general conditions announced on April 22, 2013.
- Launch of the Galactic Campaign, an innovative commercial action, in partnership with TMN and Samsung.
- "Millennium Businesses" meetings took place in Algarve.
- Millennium bcp Foundation inaugurated the exhibition "The Sardine belongs to all!" in the scope of the 2013 Lisbon's Festivities.
- "Best Corporate Governance" and "Best Investor Relations Team in Portugal" awards, in 2012, granted by Capital Finance International magazine.
- Special award granted to Bank Millennium in Poland from the Institute of Capital Market – WSE Research for employment of state-of-the-art Internet communication methods in Investor Relations.
- "Best Banking Offer" to Companies Mobile Banking in the scope of Market Pearls in Poland awarded by Retailers' Choice.

- Election of Banco Millennium Angola as “Brand of Excellence” by Superbrands.
- Reaffirmation of the long-term ratings at “BBB (low)” and short-term at “R-2 (middle)”, by DBRS rating agency on June 28, maintaining the negative outlook.

EVENTS SUBSEQUENT TO THE FIRST HALF OF 2013

- Agreement between the European Commission and the Portuguese authorities regarding the restructuring plan for BCP. The formal approval of the agreement and the disclosure of its main points are expected in the forthcoming weeks.
- “Best Consumer Internet Bank” in Portugal and Poland, in the scope of the “World's Best Internet Banks in Europe 2013”, attributed by the prestigious international financial magazine Global Finance.
- Recognition of Millennium bcp as "Ethibel Excellence Investment Register" by Forum Ethibel.
- “Millennium Businesses” meetings took place in Santarém.
- Reaffirmation of all BCP’s ratings, by Fitch rating agency on July 10, maintaining the negative outlook.
- Revision of the long-term rating to “B” and reaffirmation of the short-term rating at ”B”, by S&P rating agency on July 11, following the revision of the outlook for Portugal from stable to negative, maintaining the negative outlook.

FINANCIAL STATEMENTS

Consolidated Balance Sheet

as at 30 June, 2013 and 2012 and 31 December, 2012

(Thousands of Euros)

	30 June 2013	31 December 2012	30 June 2012
Assets			
Cash and deposits at central banks	1,735,451	3,580,546	1,717,472
Loans and advances to credit institutions			
Repayable on demand	1,359,274	829,684	989,022
Other loans and advances	1,444,654	1,887,389	5,443,880
Loans and advances to customers	57,866,204	62,618,235	66,202,466
Financial assets held for trading	1,588,389	1,690,926	2,007,971
Financial assets available for sale	10,300,758	9,223,411	7,221,221
Assets with repurchase agreement	123,942	4,288	45,299
Hedging derivatives	113,460	186,032	122,240
Financial assets held to maturity	3,221,629	3,568,966	3,742,148
Investments in associated companies	530,941	516,980	414,632
Non current assets held for sale	1,277,903	1,284,126	1,088,527
Investment property	539,920	554,233	560,731
Property and equipment	561,436	626,398	619,085
Goodwill and intangible assets	251,215	259,054	248,494
Current tax assets	28,146	34,037	34,843
Deferred tax assets	1,856,943	1,755,411	1,564,189
Other assets	1,143,311	1,124,323	976,969
	83,943,576	89,744,039	92,999,189
Liabilities			
Amounts owed to credit institutions	14,570,792	15,265,760	17,795,795
Amounts owed to customers	47,463,829	49,389,866	47,974,254
Debt securities	10,325,436	13,548,263	14,720,570
Financial liabilities held for trading	1,089,537	1,393,194	1,509,600
Other financial liabilities at fair value through profit and loss	720,800	329,267	237,022
Hedging derivatives	335,579	301,315	390,462
Provisions for liabilities and charges	399,193	253,328	269,627
Subordinated debt	4,459,149	4,298,773	4,207,360
Current income tax liabilities	4,613	15,588	5,262
Deferred income tax liabilities	2,994	2,868	3,654
Other liabilities	1,155,128	945,629	1,939,431
Total Liabilities	80,527,050	85,743,851	89,053,037
Equity			
Share capital	3,500,000	3,500,000	3,000,000
Treasury stock	(16,508)	(14,212)	(10,796)
Share premium	-	71,722	71,722
Preference shares	171,175	171,175	171,175
Other capital instruments	9,853	9,853	9,853
Fair value reserves	(34,341)	2,668	(198,956)
Reserves and retained earnings	(356,853)	850,021	855,582
Net income for the period attributable to Shareholders	(488,219)	(1,219,053)	(544,279)
Total Equity attributable to Shareholders of the Bank	2,785,107	3,372,174	3,354,301
Non-controlling interests	631,419	628,014	591,851
Total Equity	3,416,526	4,000,188	3,946,152
	83,943,576	89,744,039	92,999,189

Consolidated Income Statement

for the six months period ended 30 June, 2013 and 2012

(Thousands of Euros)

	30 June 2013	30 June 2012
Interest and similar income	1,453,356	1,834,601
Interest expense and similar charges	(1,065,260)	(1,252,533)
Net interest income	388,096	582,068
Dividends from equity instruments	1,492	3,617
Net fees and commission income	338,563	334,840
Net gains / losses arising from trading and hedging activities	3,045	318,729
Net gains / losses arising from available for sale financial assets	54,015	(11,307)
Net gains / (losses) arising from financial assets held to maturity	(278)	(22)
Other operating income	(25,291)	(26,058)
	759,642	1,201,867
Other net income from non banking activity	10,431	10,571
Total operating income	770,073	1,212,438
Staff costs	344,216	324,987
Other administrative costs	233,563	263,003
Depreciation	34,470	38,352
Operating costs	612,249	626,342
Operating net income before provisions and impairments	157,824	586,096
Loans impairment	(476,512)	(466,546)
Other financial assets impairment	(13,347)	(11,256)
Other assets impairment	(67,713)	(75,797)
Other provisions	(153,532)	(19,953)
Operating net income	(553,280)	12,544
Share of profit of associates under the equity method	30,643	30,243
Gains / (losses) from the sale of subsidiaries and other assets	(9,915)	(10,727)
Net (loss) / income before income tax	(532,552)	32,060
Income tax		
Current	(36,235)	(38,159)
Deferred	166,294	18,017
Net (loss) / income after income tax from continuing operations	(402,493)	11,918
Income arising from discontinued operations	(41,739)	(516,707)
Net income after income tax	(444,232)	(504,789)
Attributable to:		
Shareholders of the Bank	(488,219)	(544,279)
Non-controlling interests	43,987	39,490
Net income for the period	(444,232)	(504,789)
Earnings per share (in euros)		
Basic	(0.05)	(0.12)
Diluted	(0.05)	(0.12)

Consolidated Financial Statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the six month period ended 30 June, 2013 and 2012

	Notes	30 June 2013	30 June 2012
		(Thousands of Euros)	
Interest and similar income	3	1,453,356	1,834,601
Interest expense and similar charges	3	(1,065,260)	(1,252,533)
Net interest income		388,096	582,068
Dividends from equity instruments	4	1,492	3,617
Net fees and commissions income	5	338,563	334,840
Net gains / (losses) arising from trading and hedging activities	6	3,045	318,729
Net gains / (losses) arising from financial assets available for sale	7	54,015	(11,307)
Net gains / (losses) arising from financial assets held to maturity	8	(278)	(22)
Other operating income/costs	9	(25,291)	(26,058)
		759,642	1,201,867
Other net income from non banking activities		10,431	10,571
Total operating income		770,073	1,212,438
Staff costs	10	344,216	324,987
Other administrative costs	11	233,563	263,003
Depreciation	12	34,470	38,352
Operating expenses		612,249	626,342
Operating net income before provisions and impairment		157,824	586,096
Loans impairment	13	(476,512)	(466,546)
Other financial assets impairment	14	(13,347)	(11,256)
Other assets impairment	28, 30 and 33	(67,713)	(75,797)
Other provisions	15	(153,532)	(19,953)
Operating net (loss) / income		(553,280)	12,544
Share of profit of associates under the equity method	16	30,643	30,243
Gains / (losses) from the sale of subsidiaries and other assets	17	(9,915)	(10,727)
Net (loss) / income before income tax		(532,552)	32,060
Income tax			
Current	32	(36,235)	(38,159)
Deferred	32	166,294	18,017
(Loss) / income after income tax from continuing operations		(402,493)	11,918
(Loss) / income arising from discontinued operations	18	(41,739)	(516,707)
Net (loss) / income after income tax		(444,232)	(504,789)
Attributable to:			
Shareholders of the Bank		(488,219)	(544,279)
Non-controlling interests	46	43,987	39,490
Net loss for the period		(444,232)	(504,789)
Earnings per share (in Euros)	19		
Basic		(0.05)	(0.12)
Diluted		(0.05)	(0.12)

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 June, 2013 and 31 December, 2012

	Notes	30 June 2013	31 December 2012
		(Thousands of Euros)	
Assets			
Cash and deposits at Central Banks	20	1,735,451	3,580,546
Loans and advances to credit institutions			
Repayable on demand	21	1,359,274	829,684
Other loans and advances	22	1,444,654	1,887,389
Loans and advances to customers	23	57,866,204	62,618,235
Financial assets held for trading	24	1,588,389	1,690,926
Financial assets available for sale	24	10,300,758	9,223,411
Assets with repurchase agreement		123,942	4,288
Hedging derivatives	25	113,460	186,032
Financial assets held to maturity	26	3,221,629	3,568,966
Investments in associated companies	27	530,941	516,980
Non current assets held for sale	28	1,277,903	1,284,126
Investment property	29	539,920	554,233
Property and equipment	30	561,436	626,398
Goodwill and intangible assets	31	251,215	259,054
Current income tax assets		28,146	34,037
Deferred income tax assets	32	1,856,943	1,755,411
Other assets	33	1,143,311	1,124,323
		83,943,576	89,744,039
Liabilities			
Deposits from credit institutions	34	14,570,792	15,265,760
Deposits from customers	35	47,463,829	49,389,866
Debt securities issued	36	10,325,436	13,548,263
Financial liabilities held for trading	37	1,089,537	1,393,194
Other financial liabilities at fair value			
through profit or loss	38	720,800	329,267
Hedging derivatives	25	335,579	301,315
Provisions for liabilities and charges	39	399,193	253,328
Subordinated debt	40	4,459,149	4,298,773
Current income tax liabilities		4,613	15,588
Deferred income tax liabilities	32	2,994	2,868
Other liabilities	41	1,155,128	945,629
Total Liabilities		80,527,050	85,743,851
Equity			
Share capital	42	3,500,000	3,500,000
Treasury stock	45	(16,508)	(14,212)
Share premium		-	71,722
Preference shares	42	171,175	171,175
Other capital instruments	42	9,853	9,853
Fair value reserves	44	(34,341)	2,668
Reserves and retained earnings	44	(356,853)	850,021
Net loss for the period attributable to Shareholders		(488,219)	(1,219,053)
Total Equity attributable to Shareholders of the Bank		2,785,107	3,372,174
Non-controlling interests	46	631,419	628,014
Total Equity		3,416,526	4,000,188
		83,943,576	89,744,039

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the three month period between 1 April and 30 June, 2013 and 2012

	Second quarter 2013	Second quarter 2012
	(Thousands of Euros)	
Interest and similar income	722,893	869,274
Interest expense and similar charges	(517,796)	(596,590)
Net interest income	205,097	272,684
Dividends from equity instruments	1,454	3,322
Net fees and commissions income	175,464	169,717
Net gains / (losses) arising from trading and hedging activities	(30,845)	150,958
Net gains / (losses) arising from available for sale financial assets	12,910	(17,596)
Other operating income	(13,610)	(16,427)
	350,470	562,658
Other net income from non banking activities	5,622	5,852
Total operating income	356,092	568,510
Staff costs	174,236	130,662
Other administrative costs	115,924	130,650
Depreciation	17,083	18,849
Operating expenses	307,243	280,161
Operating net income before provisions and impairment	48,849	288,349
Loans impairment	(288,130)	(314,249)
Other financial assets impairment	(7,519)	(10,440)
Other assets impairment	(33,002)	(38,842)
Other provisions	(143,294)	(11,927)
Operating net (loss) / income	(423,096)	(87,109)
Share of profit of associates under the equity method	16,549	17,392
Gains / (losses) from the sale of subsidiaries and other assets	(8,467)	(2,669)
Net (loss) / income before income tax	(415,014)	(72,386)
Income tax		
Current	(21,045)	(17,162)
Deferred	123,108	31,006
(Loss) / income after income tax from continuing operations	(312,951)	(58,542)
(Loss) / income arising from discontinued operations	546	(505,547)
Net (loss) / income after income tax	(312,405)	(564,089)
Attributable to:		
Shareholders of the Bank	(336,257)	(585,038)
Non-controlling interests	23,852	20,949
Net (loss) / income for the period	(312,405)	(564,089)
Earnings per share (in Euros)		
Basic	(0.07)	(0.24)
Diluted	(0.07)	(0.24)

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Cash Flows Statement
for the six month period ended 30 June, 2013 and 2012

	30 June 2013	30 June 2012
	(Thousands of Euros)	
Cash flows arising from operating activities		
Interest income received	1,271,723	1,768,276
Commissions received	455,959	466,227
Fees received from services rendered	34,463	69,941
Interest expense paid	(784,021)	(1,260,759)
Commissions paid	(145,008)	(146,309)
Recoveries on loans previously written off	6,322	9,024
Net earned premiums	11,199	9,428
Claims incurred	(8,049)	(6,474)
Payments to suppliers and employees	(769,240)	(801,422)
	73,348	107,932
Decrease / (increase) in operating assets:		
Loans and advances to credit institutions	1,518,358	(231,198)
Deposits with Central Banks under monetary regulations	1,784,500	(1,991,912)
Loans and advances to customers	1,017,108	1,561,816
Short term trading account securities	(374,336)	387,278
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	(155,168)	154,171
Deposits from credit institutions with agreed maturity date	(280,386)	(107,584)
Deposits from clients repayable on demand	666,822	(199,366)
Deposits from clients with agreed maturity date	706,788	619,670
	4,957,034	300,807
Income taxes (paid) / received	(29,029)	(64,463)
	4,928,005	236,344
Cash flows arising from investing activities		
Proceeds from sale of shares in subsidiaries and associated companies	3,635	-
Dividends received	4,293	8,556
Interest income from available for sale financial assets and held to maturity financial assets	214,890	226,303
Proceeds from sale of available for sale financial assets	8,658,459	9,143,915
Available for sale financial assets purchased	(44,140,175)	(24,225,330)
Proceeds from available for sale financial assets on maturity	34,306,170	12,793,367
Acquisition of fixed assets	(28,486)	(38,905)
Proceeds from sale of fixed assets	35,266	8,493
Decrease / (increase) in other sundry assets	(115,201)	2,035,613
	(1,061,149)	(47,988)
Cash flows arising from financing activities		
Issuance of subordinated debt	903	3,114,828
Reimbursement of subordinated debt	(813)	(44,145)
Issuance of debt securities	2,944,218	6,064,122
Reimbursement of debt securities	(6,195,165)	(8,429,481)
Issuance of commercial paper and other securities	112,166	4,614
Reimbursement of commercial paper and other securities	(9,992)	(1,444,664)
Dividends paid to non-controlling interests	(8,979)	(10,773)
Increase / (decrease) in other sundry liabilities and non-controlling interests	(286,137)	(205,151)
	(3,443,799)	(950,650)
Exchange differences effect on cash and equivalents	(46,532)	42,433
Net changes in cash and equivalents	376,525	(719,861)
Cash and equivalents at the beginning of the period	1,562,300	2,268,554
Cash (note 20)	579,551	600,791
Other short term investments (note 21)	1,359,274	989,022
Cash and equivalents at the end of the period	1,938,825	1,589,813

BANCO COMERCIAL PORTUGUÊS

Consolidated Statement of Changes in Equity
for the six month period ended 30 June, 2013 and 2012

(Amounts expressed in thousands of Euros)

	Total equity	Share capital	Preference shares	Other capital instruments	Share premium	Legal and statutory reserves	Other comprehensive income: Fair value and cash flow hedged reserves	Other comprehensive income: Other	Other reserves and retained earnings	Treasury stock	Non-controlling interests
Balance on 1 January, 2012	4,374,370	6,065,000	171,175	9,853	71,722	506,107	(389,460)	(1,828,257)	(767,963)	(11,422)	547,615
Capital reduction (note 42)	-	(3,065,000)	-	-	-	123,893	-	-	2,941,107	-	-
Actuarial losses for the period	(143,027)	-	-	-	-	-	-	(143,027)	-	-	-
Net 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 sale of 2.637% of Banco Millennium Angola	-	-	-	-	-	-	-	-	(782)	-	782
Capital increase of Banco Millennium Angola	7,971	-	-	-	-	-	-	-	-	-	7,971
Capital reduction of M Inovação - Fundo de Capital de Risco BCP Capital	(1,179)	-	-	-	-	-	-	-	-	-	(1,179)
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.	(10,773)	-	-	-	-	-	-	-	-	-	(10,773)
Treasury stock	626	-	-	-	-	-	-	-	-	626	-
Exchange differences arising on consolidation	42,433	-	-	-	-	-	-	26,260	-	-	16,173
Fair value reserves (note 44)	182,294	-	-	-	-	-	190,504	-	-	-	(8,210)
Other reserves arising on consolidation (note 44)	(1,774)	-	-	-	-	-	-	-	(1,756)	-	(18)
Balance on 30 June, 2012	3,946,152	3,000,000	171,175	9,853	71,722	630,000	(198,956)	(1,945,024)	1,626,327	(10,796)	591,851
Share capital increase through the issue of 12,500,000 new shares (note 42)	500,000	500,000	-	-	-	-	-	-	-	-	-
Costs related to the share capital increase	(16,793)	-	-	-	-	-	-	-	(16,793)	-	-
Tax related to costs arising from the share capital increase	4,198	-	-	-	-	-	-	-	4,198	-	-
Actuarial losses for the period (note 50)	9,294	-	-	-	-	-	-	9,294	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(674,774)	-	-	-	-	-	-	-	(674,774)	-	-
Net (loss) / income for the period attributable to non-controlling interests (note 46)	42,354	-	-	-	-	-	-	-	-	-	42,354
Treasury stock	(3,416)	-	-	-	-	-	-	-	-	(3,416)	-
Gains and losses on sale of treasury stock	(489)	-	-	-	-	-	-	-	(489)	-	-
Tax related on gains and losses on sale of treasury stock	122	-	-	-	-	-	-	-	122	-	-
Exchange differences arising on consolidation	(543)	-	-	-	-	-	-	(1,177)	-	-	634
Fair value reserves (note 44)	194,877	-	-	-	-	-	201,624	-	-	-	(6,747)
Other reserves arising on consolidation (note 44)	(794)	-	-	-	-	-	-	-	(716)	-	(78)
Balance on 31 December, 2012	4,000,188	3,500,000	171,175	9,853	71,722	630,000	2,668	(1,936,907)	937,875	(14,212)	628,014
Transfers to reserves (note 44):											
Share premium	-	-	-	-	(71,722)	-	-	-	71,722	-	-
Legal reserve	-	-	-	-	-	(406,730)	-	-	406,730	-	-
Costs related to the share capital increase	1,574	-	-	-	-	-	-	-	1,574	-	-
Tax related to costs arising from the share capital increase	(394)	-	-	-	-	-	-	-	(394)	-	-
Actuarial losses for the period (note 50)	(39,870)	-	-	-	-	-	-	(39,870)	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(488,219)	-	-	-	-	-	-	-	(488,219)	-	-
Net (loss) / income for the period attributable to non-controlling interests (note 46)	43,987	-	-	-	-	-	-	-	-	-	43,987
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.	(8,979)	-	-	-	-	-	-	-	-	-	(8,979)
Treasury stock	(2,296)	-	-	-	-	-	-	-	-	(2,296)	-
Exchange differences arising on consolidation	(46,532)	-	-	-	-	-	-	(20,910)	-	-	(25,622)
Fair value reserves (note 44)	(42,895)	-	-	-	-	-	(37,009)	-	-	-	(5,886)
Other reserves arising on consolidation (note 44)	(38)	-	-	-	-	-	-	-	57	-	(95)
Balance on 30 June, 2013	3,416,526	3,500,000	171,175	9,853	-	223,270	(34,341)	(1,997,687)	929,345	(16,508)	631,419

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Statement of Comprehensive income
for the six month period ended 30 June, 2013 and 2012

	30 June 2013	30 June 2012
	(Thousands of Euros)	
Items that may be reclassified to the income statement		
Fair value reserves	(62,004)	230,783
Taxes	19,109	(48,489)
	(42,895)	182,294
Exchange differences arising on consolidation	(46,532)	42,433
	(89,427)	224,727
Items that will not be reclassified to the income statement		
Actuarial losses for the period		
Gross value	(46,865)	(154,908)
Taxes	6,995	11,881
	(39,870)	(143,027)
Comprehensive income recognised directly in Equity after taxes	(129,297)	81,700
Net loss for the period	(444,232)	(504,789)
Total Comprehensive income for the period	(573,529)	(423,089)
Attributable to:		
Shareholders of the Bank	(586,008)	(470,542)
Non-controlling interests		
Fair value reserves	(7,360)	(9,713)
Taxes	1,474	1,503
	(5,886)	(8,210)
Exchange differences arising on consolidation	(25,622)	16,173
Net income for the period	43,987	39,490
	12,479	47,453
Total Comprehensive income for the period	(573,529)	(423,089)

BANCO COMERCIAL PORTUGUÊS

Statement of Comprehensive income
for the three month period between 1 April and 30 June, 2013 and 2012

	Second quarter 2013	Second quarter 2012
	(Thousands of Euros)	
Items that may be reclassified to the income statement		
Fair value reserves	(78,691)	130,477
Taxes	18,854	(34,215)
	(59,837)	96,262
Exchange differences arising on consolidation	(35,115)	112
	(94,952)	96,374
Items that will not be reclassified to the income statement		
Actuarial losses for the period		
Gross value	(45,069)	(154,908)
Taxes	8,943	11,881
	(36,126)	(143,027)
Comprehensive income recognised directly in Equity after taxes	(131,078)	(46,653)
Net (loss) / income for the period	(312,405)	(564,089)
Total Comprehensive income for the period	(443,483)	(610,742)
Attributable to:		
Shareholders of the Bank	(441,985)	(636,524)
Non-controlling interests		
Fair value reserves	(8,498)	4,327
Taxes	1,672	(1,393)
	(6,826)	2,934
Exchange differences arising on consolidation	(18,524)	1,899
Net income for the period	23,852	20,949
	(1,498)	25,782
Total Comprehensive income for the period	(443,483)	(610,742)

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 month period ended 30 June, 2013 and 2012.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002, 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 27 August 2013 by the Bank's Executive Committee. The financial statements are presented in thousands of euros, rounded to the nearest thousand.

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

The consolidated financial statements for the six months ended 30 June, 2013 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 2013 with comparative figures for the second quarter of last year. The financial statements for the six month period ended 30 June 2013 do not include all the information to be published in the annual financial statements. As referred in note 48, during the first semester of 2013, the Group sold 100% of the investment in Millennium Bank, Societé Anonyme (Greece), and therefore the referred investment ceased to be consolidated in the financials statements of the Group. This fact should be considered for comparative analyses.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January, 2013.

The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, except for the adoption and amendments to the following standards:

- IFRS 13 Fair value measurement

IFRS 13 provides a guidance about fair value measurement and replacing guidance that was scattered in several standards. The standard defines fair value as the price for which an orderly transaction to sell an asset or to transfer a liability would be realized between market participants at the measurement date. The standard has been applied prospectively by the Group, without significant impacts in the measurement of its assets and liabilities.

- IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income

The amendments to IAS 1 only had impact on the presentation of the Consolidated Statement of Comprehensive Income, which presents now the separation of the items that may be reclassified to the income statement and the items that will not be reclassified to the income statement.

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 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 and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant, are presented in note 1 ad).

b) Basis of consolidation

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

Investments in subsidiaries

The 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 exceeded the equity of the subsidiary attributable to the non-controlling interest, the excess was attributed to the Group and charged to the income statement as it occurs. Profits subsequently reported by the subsidiary are recognised as profits of the Group until the prior losses attributable to non-controlling interest previously recognised by the Group have been recovered.

As from 1 January, 2010, on a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired, is booked against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is 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 from 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 Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and the investee;
- interchange of the management team; or
- provision of essential technical information.

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

Goodwill

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

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

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

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

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

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

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

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

Purchases and dilution of non-controlling interests

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

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

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

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

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

Special Purpose Entities ('SPEs')

The Group fully consolidates SPEs resulting from securitization operations of assets from Group entities (as referred in note 22) and from operations regarding the sale of 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. Besides these SPEs resulting from securitization and sale of loans operations, 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 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 it 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 under the full consolidation, proportional or equity methods, for exchange differences between the conversion to Euros of the opening net assets at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date for consolidated accounts are charged against consolidated reserves - exchange differences. The exchange differences from hedging instruments related to foreign operations are eliminated from profit and loss in the consolidation process against the exchange differences booked in reserves resulting from those investments. Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

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

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

Transactions eliminated on consolidation

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

c) *Loans and advances to customers*

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

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

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

Impairment

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

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

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

(i) Individually assessed loans

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

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

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

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

(ii) Collective assessment

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

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

The collective impairment loss is determined considering the following factors:

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

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

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

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

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

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

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

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

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

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

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

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

2) Financial assets available for sale

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

3) Financial assets held-to-maturity

The financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Group has the intention and 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 disposal of financial assets included in this category that does not occur close to the maturity of the assets, will require the Group to reclassify the entire portfolio as Financial assets available for sale and the Group will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables - Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

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

(ii) Impairment

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

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

(iii) Embedded derivatives

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

e) Derivatives hedge accounting

(i) Hedge accounting

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

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

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

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

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

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

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

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

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

(iv) Hedge effectiveness

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

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

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

f) Reclassifications between financial instruments categories

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

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

The Group adopted this possibility for a group of financial assets, as disclosed in note 24.

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

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

g) Derecognition

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

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

h) Equity instruments

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

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

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

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

i) Compound financial instruments

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

j) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

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

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

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

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

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

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

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

The subsequent 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

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

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

m) Interest income and expense

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

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

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

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

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

- 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, 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:

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

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

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

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

p) Fiduciary activities

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

q) Property and equipment

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

The Group performs impairment tests 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:

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

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

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

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

r) Investment property

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

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

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

s) Intangible Assets

Research and development expenditure

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

Software

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

t) Cash and cash equivalents

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

Cash and cash equivalents exclude restricted balances with Central Banks.

u) Offsetting

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

v) Foreign currency transactions

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

w) Employee benefits

Defined benefit plans

The Group has the responsibility to pay to their employees retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the collective labour arrangements. These benefits are estimated in the 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).

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

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

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

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

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

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

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

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

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

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

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

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

Defined contribution plan

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

As at 30 June 2013, the Group has two defined contribution plans. One plan that covers employees who were hired before July 1, 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) exist distributable profits or reserves in the accounts of Banco Comercial Português.

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

Share based compensation plan

As at 30 June 2013 there are no share based compensation plans in force.

Variable remuneration paid to employees

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

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

x) Income taxes

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

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

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

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

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

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

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

y) Segmental reporting

The Group adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating segments. A business segment is a group of assets and operations that are subject to risks and returns different from other business segments. The results of the operating segments are periodically reviewed by the management with the aim of taking decisions. The Group prepares regular financial information concerning these segments, which is reported to Management. A geographical segment is a group of assets and operations located within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Group controls its activity through the following major operating segments:

Portugal
- Retail Banking (including ActivoBank);
- Companies (which includes companies in Portugal, Corporate, Investment Banking and Real estate);
- Asset management and Private Banking.

Foreign activity
- Poland;
- Angola:
- Mozambique.

Following the completion of the sale of the entire share capital of Millennium bank in Greece, on 19 June 2013, as duly announced on general conditions and in accordance with IFRS 5, the Millennium bank in Greece was classified as a discontinued operation, with the impact on results presented on a separate line named as income arising from discontinued operations. The income statement with reference to 30 June, 2012 was restated for comparative purposes. In terms of the consolidated balance sheet, the assets and liabilities of Millennium bank in Greece are no longer disclosed with reference to 30 June 2013.

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 the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

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

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

aa) Earnings per share

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

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

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

ab) Insurance contracts

Classification

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

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

Recognition and measurement

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

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

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

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

Premiums

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

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

Provision for unearned premiums from direct insurance and reinsurance premiums ceded

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

Liability adequacy test

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

ac) Insurance or reinsurance mediation services

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

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

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

ad) Accounting estimates and judgements in applying accounting policies

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

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

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

Impairment of financial assets available for-sale

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

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

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

Impairment losses on loans and advances to customers

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

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

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

Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (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 23, the following SPEs resulting from securitization transactions were included in the consolidation perimeter: NovaFinance n.4, Magellan n.2 and 3, Orchis Sp zo.o, Caravela SME n.2 and Tagus Leasing n.1. The Group did not consolidate the following SPEs also resulting from securitization transactions: Magellan n.1 and n.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, which 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

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

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

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

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

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

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Net interest income	388,096	582,068
Net gains/(losses) from trading and hedging assets	3,045	318,729
Net gains/(losses) from financial assets available for sale	54,015	(11,307)
Net gains/(losses) from financial assets held to maturity	(278)	(22)
	444,878	889,468

3. Net interest income

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Interest and similar income		
Interest on loans and advances	1,106,395	1,423,836
Interest on trading securities	11,200	18,736
Interest on available for sale financial assets	162,317	159,379
Interest on held to maturity financial assets	61,615	67,223
Interest on hedging derivatives	73,178	108,970
Interest on derivatives associated to financial instruments through profit and loss account	2,071	3,893
Interest on deposits and other investments	36,580	52,564
	1,453,356	1,834,601
Interest expense and similar charges		
Interest on deposits and inter-bank funding	632,803	887,502
Interest on securities sold under repurchase agreement	7,869	8,247
Interest on securities issued	404,485	334,206
Interest on hedging derivatives	11,205	9,405
Interest on derivatives associated to financial instruments through profit and loss account	2,394	843
Interest on other financial liabilities valued at fair value through profit and loss account	6,504	12,330
	1,065,260	1,252,533
	388,096	582,068

The balance Interest on securities issued includes as at 30 June 2013, the amount of Euros 134,679,000 related to interest of the hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State.

The balance Interest on loans and advances includes the amount of Euros 35,066,000 (30 June 2012: Euros 32,573,000) related to commissions and other gains which are accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balance Net interest income includes, as at 30 June 2013, the amount of Euros 141,109,000 related with interest income arising from customers with signs of impairment (individual and parametric analysis).

4. Dividends from equity instruments

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Dividends from financial assets available for sale	1,492	3,120
Other	-	497
	1,492	3,617

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

5. Net fees and commissions income

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Fees and commissions received		
From guarantees	48,642	53,213
From credit and commitments	635	98
From banking services	253,964	258,059
From insurance activity	729	699
From other services	131,659	114,872
	435,629	426,941
Fees and commissions paid		
From guarantees	38,547	35,751
From banking services	45,780	41,665
From insurance activity	782	720
From other services	11,957	13,965
	97,066	92,101
	338,563	334,840

The balance Fees and commissions received - From banking services includes the amount of Euros 36,686,000 (30 June 2012: Euros 35,597,000) related to insurance mediation commissions.

The balance Fees and commissions received includes the amount of Euros 15,158,000 regarding commissions charged to customers with signs of impairment (individual and parametric analysis).

As at 30 June 2013, the caption Fees and commissions expenses - from guarantees includes the amount of Euros 35,352,000 (30 June 2012: Euros 33,338,000) related to commissions paid in accordance with the issues accounted under the scope of the guarantee given by the Portuguese State.

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

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Gains arising on trading and hedging activities		
Foreign exchange activity	729,576	779,548
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	17,453	38,876
Variable income	581	6,579
Certificates and structured securities issued	30,290	5,876
Derivatives associated to financial instruments through profit and loss account	13,023	30,170
Other financial instruments derivatives	917,020	1,006,252
Other financial instruments through profit and loss account	5,547	8,507
Repurchase of own issues	4,303	310,497
Hedging accounting		
Hedging derivatives	51,589	72,389
Hedged item	31,484	6,451
Other activity	22,798	6,857
	1,823,664	2,272,002
Losses arising on trading and hedging activities		
Foreign exchange activity	679,378	734,063
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	17,343	3,782
Variable income	2,927	10,379
Certificates and structured securities issued	28,564	8,141
Derivatives associated to financial instruments through profit and loss account	11,237	10,115
Other financial instruments derivatives	895,023	960,766
Other financial instruments through profit and loss account	9,679	75,281
Repurchase of own issues	5,497	8,942
Hedging accounting		
Hedging derivatives	84,919	46,662
Hedged item	3,650	70,175
Other activity	82,402	24,967
	1,820,619	1,953,273
Net gains / (losses) arising from trading and hedging activities	3,045	318,729

The caption Net gains arising from trading and hedging activities includes as at 30 June 2013, a loss of Euros 8,283,000 (30 June 2012: loss of Euros 21,599,000) related with the fair value changes arising from changes in own credit risk (spread) for financial liabilities recognised at fair value through profit and loss.

The caption Transactions with financial instruments recognised at fair value through profit and loss – Held for trading included, as at 30 June 2012, a gain in the amount of Euros 26,642,000 related with the valuation of Treasury bonds from the Portuguese Republic.

The caption Gains arising on trading and hedging activities – Repurchase of own issues included, as at 30 June 2012, the amount of Euros 184,300,000 corresponding to the difference between the nominal and the repurchase value, that arose 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.

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

The caption Gains arising on trading and hedging activities - Other financial instruments derivatives included, as at 30 June 2012, the amount of Euros 9,765,000 resulting from the recognition in profit and loss account of the interruption of an hedging operation related to 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 2013 Euros '000	Jun 2012 Euros '000
Gains arising from financial assets available for sale		
Fixed income	61,237	3,206
Variable income	575	184
Losses arising from financial assets available for sale		
Fixed income	(6,732)	(14,286)
Variable income	(1,065)	(411)
	54,015	(11,307)

The caption Gains arising from financial assets available for sale - Fixed income - includes , as at 30 June 2013, the amount of Euros 49,368,000 related to gains resulting from the sale of Portuguese public debt.

The caption Losses arising from financial assets available for sale - Fixed income - included , as at 30 June 2012, the amount of Euros 8,746,000 related to losses resulting from the sale of Greek public debt which resulted from the restructuring of country's sovereign debt, as referred in note 24.

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

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Losses arising from financial assets held to maturity	(278)	(22)
	(278)	(22)

9. Other operating income

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Operating income		
Income from services	15,605	15,352
Cheques and others	7,143	8,173
Other operating income	3,885	8,075
	26,633	31,600
Operating costs		
Indirect taxes	10,816	16,875
Donations and quotizations	2,205	2,393
Specific contribution for the banking sector	16,946	16,935
Specific contribution for the resolution fund	4,157	-
Other operating expenses	17,800	21,455
	51,924	57,658
	(25,291)	(26,058)

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 2013 Euros '000	Jun 2012 Euros '000
Salaries and remunerations	264,505	288,982
Mandatory social security charges	52,990	8,492
Voluntary social security charges	18,425	24,016
Other staff costs	8,296	3,497
	344,216	324,987

The caption Staff costs includes, in the first semester of 2013, costs associated with the restructuring program, early retirement and the recalculation of pension liabilities related to the Group's resizing program that resulted in a reduction of 131 employees. Those costs amount to a net value of Euros 13,047,000.

The balance Mandatory social security charges includes, as at 30 June 2013, a gain of Euros 7,453,000 arising from the change of the calculation method of the death subsidy in accordance with the publication on 25 January 2013, of the Decree-Law no. 13/2013, which introduces changes in the calculation of the referred subsidy. As at 30 June 2012, a positive impact of Euros 63,951,000 had also been recognised, related to the changes of the method of calculation of the death subsidy in accordance with the Decree-Law no. 133/2012, of 27 June 2012.

In accordance with IAS 19, both changes implicate 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 fulfil any service condition, as referred in note 50, the Group accounted for the referred impact in results.

11. Other administrative costs

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Water, electricity and fuel	10,850	11,578
Consumables	2,819	3,493
Rents	65,705	67,972
Communications	15,372	20,767
Travel, hotel and representation costs	5,029	6,131
Advertising	13,466	16,959
Maintenance and related services	15,631	18,805
Credit cards and mortgage	2,623	7,109
Advisory services	7,762	6,762
Information technology services	9,751	11,763
Outsourcing	38,594	40,975
Other specialised services	14,658	16,230
Training costs	595	1,296
Insurance	2,930	3,723
Legal expenses	4,039	4,197
Transportation	5,304	5,376
Other supplies and services	18,435	19,867
	233,563	263,003

The caption Rents includes the amount of Euros 55,853,000 (30 June 2012: Euros 56,992,000) related to rents paid regarding buildings used by the Group as lessee.

The Group has various operating lease for properties and vehicles. The payments under these leases are recognised in the statement of income during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity as at 30 June 2013, are as follows:

	Jun 2013		
	Properties Euros '000	Vehicles Euros '000	Total Euros '000
Until 1 period	70,514	3,015	73,529
1 to 5 periods	121,433	3,419	124,852
Over 5 periods	30,461	-	30,461
	222,408	6,434	228,842

12. Depreciation

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Intangible assets:		
Software	8,014	6,749
Other intangible assets	72	226
	8,086	6,975
Property, plant and equipment:		
Land and buildings	12,332	15,607
Equipment		
Furniture	1,328	1,632
Office equipment	1,276	1,304
Computer equipment	5,919	7,006
Interior installations	1,409	1,923
Motor vehicles	1,655	1,465
Security equipment	1,153	1,228
Other equipment	1,310	1,212
Other tangible assets	2	-
	26,384	31,377
	34,470	38,352

13. Loans impairment

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Loans and advances to credit institutions:		
For overdue loans and credit risks		
Impairment for the period	17	44
	17	44
Loans and advances to customers:		
For overdue loans and credit risks		
Charge for the period	890,809	1,025,584
Write-back for the period	(407,993)	(550,058)
Recovery of loans and interest charged-off	(6,321)	(9,024)
	476,495	466,502
	476,512	466,546

The caption Loans and advances to customers - Charge for the period included, as at 30 June 2012, the amount of Euros 450,000,000 related to the impairment booked to cover the exposure to the risk of activity in Greece namely regarding the activity of Millennium bank (Greece). The determination of this amount took into account the gradual deterioration to the local economic and financial situation and the need to capitalize Greek banks, as dictated by Greece's central bank, based on a independent evaluation by the "Troika" team, which estimated a significant increase of the credit risk affecting 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).

14. Other financial assets impairment

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Impairment for financial assets available for sale		
Charge for the period	13,347	11,203
Write-back for the period	-	(66)
	13,347	11,137
Impairment for financial assets held to maturity		
Charge for the period	-	119
	-	119
	13,347	11,256

15. Other provisions

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Provision for guarantees and other commitments		
Charge for the period	58,126	21,976
Write-back for the period	(6,887)	(8,645)
	51,239	13,331
Other provisions for liabilities and charges		
Charge for the period	103,233	7,000
Write-back for the period	(940)	(378)
	102,293	6,622
	153,532	19,953

16. Share of profit of associates under the equity method

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

	Jun 2013 Euros '000	Jun 2012 Euros '000
Millenniumbcp Ageas Group	25,995	30,465
Other companies	4,648	(222)
	30,643	30,243

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

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Partial disposal of the investment held in Banque BCP (Luxembourg), S.A.	859	-
Other assets	(10,774)	(10,727)
	(9,915)	(10,727)

The caption Partial disposal of the investment held in Banque BCP (Luxembourg) S.A. corresponds to the gain generated on the sale of 10% of the investment held in the associated company, which occured in June 2013. The Group now holds 9.9% of the share capital of the company.

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 arising from discontinued operations

The amount of this account is comprised of:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Net income of the Millennium Bank (Greece)	(63,097)	(52,193)
Impairment of the loans portfolio	-	(450,000)
Gain from the sale of the investment	31,780	-
Others	(10,422)	(14,514)
	(41,739)	(516,707)

19. Earnings per share

The earnings per share are calculated as follows:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Adjusted net income / (loss) from continuing operations	(446,480)	(27,572)
Income / (loss) arising from discontinued operations	(41,739)	(516,707)
Adjusted net income / (loss)	(488,219)	(544,279)
Average number of shares	19,707,167,060	9,894,267,525
Basic earnings per share (Euros):		
from continuing operations	(0.05)	(0.01)
from discontinued operations	-	(0.11)
	(0.05)	(0.12)
Diluted earnings per share (Euros)		
from continuing operations	(0.05)	(0.01)
from discontinued operations	-	(0.11)
	(0.05)	(0.12)

Under the Bank’s Capitalisation Plan, the share capital increase was successfully completed, following the issue of ordinary shares in the amount of Euros 500,000,000, through subscription reserved for shareholders exercising their legal preference right, of 12,500,000,000 new shares. The share capital of the Bank, as at 30 June 2013, amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid. The average number of shares on 30 June 2012 was adjusted, reflecting the effect of the share capital increase conclued in September 2012.

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 changing 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 available that may be qualified, under the regulatory provisions, as distributable.

20. Cash and deposits at Central Banks

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Cash	579,551	732,616
Central Banks	1,155,900	2,847,930
	1,735,451	3,580,546

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 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

21. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Credit institutions in Portugal	3,130	3,298
Credit institutions abroad	1,159,297	581,165
Amounts due for collection	196,847	245,221
	1,359,274	829,684

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

The balance Loans and advances to credit institutions repayable on demand - Credit institutions abroad includes an advance of Euros 400,000,000 associated with the subscription of ordinary shares of Piraeus Bank, related to the ongoing capitalisation process.

22. Other loans and advances to credit institutions

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Central Banks	149,768	242,238
Inter-bank Money Market	-	150,004
Credit institutions in Portugal	7,644	52,029
Credit institutions abroad	1,287,509	1,443,681
	1,444,921	1,887,952
Overdue loans - Over 90 days	-	1,795
	1,444,921	1,889,747
Impairment for other loans and advances to credit institutions	(267)	(2,358)
	1,444,654	1,887,389

Within the scope of Derivative financial transactions with institutional counterparties, and according to the signed agreements, the Group has the amount of Euros 691,562,000 (31 December 2012: Euros 674,721,000) of Loans and advances to credit institutions granted as collateral on the mentioned transactions.

The movements of impairment for other loans and advances to credit institutions is analysed as follows:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Balance on 1 January	2,358	2,416
Transfers	(262)	(118)
Impairment for the period	17	44
Loans charged-off	(1,811)	-
Exchange rate differences	(35)	-
Balance on 30 June	267	2,342

23. Loans and advances to customers

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Public sector	856,309	775,391
Asset-backed loans	36,463,675	40,770,529
Personal guaranteed loans	9,753,142	9,472,942
Unsecured loans	2,590,836	3,321,467
Foreign loans	2,906,717	3,402,736
Factoring	958,728	1,053,784
Finance leases	3,436,908	3,702,467
	56,966,315	62,499,316
Overdue loans - less than 90 days	287,454	187,056
Overdue loans - Over 90 days	4,146,908	4,174,588
	61,400,677	66,860,960
Impairment for credit risk	(3,534,473)	(4,242,725)
	57,866,204	62,618,235

As at 30 June 2013, the balance Loans and advances to customers includes the amount of Euros 13,263,930,000 (31 December 2012: Euros 12,920,510,000) regarding mortgage loans which are allocated as a collateral for seven asset-back securities, issued by the Group.

As referred in note 53, the Group, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As referred in note 57, the Group performed a set of sales of loans and advances to customers for Specialized Loan Funds. The total amount of loans sold amounted to Euros 1,124,917,000 (31 December 2012: Euros 1,041,407,000).

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Loans not represented by securities		
Discounted bills	370,262	350,573
Current account credits	2,941,391	3,228,798
Overdrafts	1,721,088	1,619,125
Loans	17,055,455	18,531,143
Mortgage loans	27,917,809	30,730,140
Factoring	958,728	1,053,784
Finance leases	3,436,908	3,702,467
	54,401,641	59,216,030
Loans represented by securities		
Commercial paper	2,099,914	1,813,334
Bonds	464,760	1,469,952
	2,564,674	3,283,286
	56,966,315	62,499,316
Overdue loans - less than 90 days	287,454	187,056
Overdue loans - Over 90 days	4,146,908	4,174,588
	61,400,677	66,860,960
Impairment for credit risk	(3,534,473)	(4,242,725)
	57,866,204	62,618,235

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Agriculture	450,072	502,924
Mining	132,234	153,658
Food, beverage and tobacco	481,573	579,558
Textiles	446,594	448,794
Wood and cork	208,760	229,348
Printing and publishing	288,979	315,798
Chemicals	609,721	633,198
Engineering	1,002,064	1,005,529
Electricity, water and gas	1,141,919	1,183,313
Construction	5,062,090	5,283,486
Retail business	1,353,352	1,281,158
Wholesale business	1,986,489	2,209,240
Restaurants and hotels	1,295,961	1,379,669
Transports and communications	2,240,247	2,595,673
Services	12,522,607	13,234,685
Consumer credit	3,655,017	4,248,312
Mortgage credit	26,822,026	29,508,762
Other domestic activities	27,829	33,273
Other international activities	1,673,143	2,034,582
	61,400,677	66,860,960
Impairment for credit risk	(3,534,473)	(4,242,725)
	57,866,204	62,618,235

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.

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

	Traditional	
	Jun 2013 Euros '000	Dec 2012 Euros '000
Mortgage loans	735,448	2,226,012
Consumer loans	161,442	231,944
Leases	600,323	709,032
Corporate loans	2,400,307	3,128,165
	3,897,520	6,295,153

Magellan Mortgages No. 3

On 24 June 2005, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. to the SPE “Magellan Mortgages No. 3 PLC”. Considering that, by having acquired the total subordinated tranches, the Group holds the majority of the risks and benefits associated to the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 b). The total assets and liabilities of the SPE associated with this operation, with reference to 30 June 2013, amounts to Euros 513,362,000 and to Euros 538,421,000, 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, 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, with reference to 30 June 2013, amounts to Euros 222,087,000 and to Euros 239,343,000, 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 161,442,000, with reference to 30 June 2013, 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 162,265,000, are majorly held by the Group, and the amount of Euros 37,039,000 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 583,538,000, with reference to 30 June 2013. The related liabilities, with a nominal amount of Euros 625,182,000, are fully owned by the Group and consequently are eliminated when preparing the Consolidated Financial Statements.

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 16,785,000, with reference to 30 June 2013, 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 17,935,000, of which Euros 14,305,000 are placed on the market.

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 2,400,307,000, with reference to 30 June 2013. The related liabilities, with a nominal amount of Euros 2,603,000,000, are fully owned by the Group and consequently are eliminated when preparing the Consolidated Financial Statements.

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Total loans	67,192,809	73,282,292
Loans and advances to customers with impairment		
Individually significant		
Gross amount	8,789,571	8,487,102
Impairment	(2,482,240)	(3,007,444)
	6,307,331	5,479,658
Parametric analysis		
Gross amount	4,843,978	5,187,455
Impairment	(997,454)	(1,090,143)
	3,846,524	4,097,312
Loans and advances to customers without impairment	53,559,260	59,607,735
Impairment (IBNR)	(207,676)	(252,608)
	63,505,439	68,932,097

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 2013, 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 2013 Euros '000	Dec 2012 Euros '000
Gross amount	3,987,590	4,346,984
Interest not yet due	(550,682)	(644,517)
Net book value	3,436,908	3,702,467

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Individuals		
Home	92,942	111,202
Consumer	46,181	57,302
Others	174,370	187,466
	313,493	355,970
Companies		
Equipment	1,197,162	1,356,360
Mortgage	1,926,253	1,990,137
	3,123,415	3,346,497
	3,436,908	3,702,467

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

On the other hand and in accordance with note 11, the balance Rents includes, as at 30 June 2013, the amount of Euros 55,853,000 (31 December 2012: Euros 122,368,000), corresponding to rents paid regarding buildings used by the Group as leasee.

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 2013 Euros '000	Dec 2012 Euros '000
Agriculture	5,393	24,341
Mining	74	205
Food, beverage and tobacco	1,231	3,165
Textiles	731	3,422
Wood and cork	10,769	20,718
Printing and publishing	923	2,245
Chemicals	349	6,105
Engineering	33,397	15,994
Electricity, water and gas	1,562	3,330
Construction	20,300	47,135
Retail business	4,894	20,713
Wholesale business	36,665	62,959
Restaurants and hotels	2,083	6,026
Transports and communications	8,046	11,445
Services	190,640	303,242
Consumer credit	119,862	208,357
Mortgage credit	45,725	382,617
Other domestic activities	70	198
Other international activities	2,749	2,543
	485,463	1,124,760

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

Regarding the restructured loans, the impairment amounts to Euros 274,006,000 as at 30 June 2013 (31 December 2012: Euros 298,323,000).

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Agriculture	19,644	29,951
Mining	11,059	10,744
Food, beverage and tobacco	37,098	48,165
Textiles	46,376	48,427
Wood and cork	42,076	43,676
Printing and publishing	22,482	19,051
Chemicals	16,188	20,257
Engineering	133,069	100,112
Electricity, water and gas	12,016	2,634
Construction	1,366,364	1,258,792
Retail business	273,265	150,756
Wholesale business	170,425	332,611
Restaurants and hotels	151,097	168,971
Transports and communications	47,337	90,961
Services	1,176,770	871,583
Consumer credit	640,407	824,155
Mortgage credit	229,891	290,763
Other domestic activities	27,812	35,473
Other international activities	10,986	14,562
	4,434,362	4,361,644

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Public sector	1	3
Asset-backed loans	2,503,923	2,243,210
Personal guaranteed loans	805,981	719,705
Unsecured loans	1,052,454	1,310,432
Foreign loans	3	5,865
Factoring	57	1,573
Finance leases	71,943	80,856
	4,434,362	4,361,644

The movements of impairment for credit risk are analysed as follows:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Impairment for overdue loans and for other credit risks:		
Balance on 1 January	4,242,725	3,487,542
Transfers resulting from changes in the Group's structure	(895,096)	520,723
Other transfers	1,314	(5,024)
Impairment for the period	890,809	1,025,584
Write-back for the period	(407,993)	(550,058)
Loans charged-off	(279,777)	(376,626)
Exchange rate differences	(17,509)	12,718
Balance on 30 June	3,534,473	4,114,859

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

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Agriculture	44,653	57,199
Mining	6,672	10,958
Food, beverage and tobacco	22,114	40,164
Textiles	22,977	25,423
Wood and cork	33,862	35,658
Printing and publishing	38,723	39,784
Chemicals	14,866	34,883
Engineering	63,702	86,963
Electricity, water and gas	6,203	34,542
Construction	743,266	751,142
Retail business	90,210	118,597
Wholesale business	204,333	262,646
Restaurants and hotels	110,168	125,659
Transports and communications	48,230	271,998
Services	1,226,532	1,225,651
Consumer credit	470,572	639,968
Mortgage credit	252,226	295,724
Other domestic activities	26,835	16,753
Other international activities	108,329	169,013
	3,534,473	4,242,725

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Public sector	2,399	2,450
Asset-backed loans	2,106,159	2,229,482
Personal guaranteed loans	509,422	493,582
Unsecured loans	867,782	1,388,198
Foreign loans	11,187	81,354
Factoring	359	3,884
Finance leases	37,165	43,775
	3,534,473	4,242,725

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

	Jun 2013 Euros '000	Jun 2012 Euros '000
Agriculture	336	1,334
Mining	38	2,562
Food, beverage and tobacco	1,524	1,286
Textiles	4,908	1,565
Wood and cork	5,422	1,328
Printing and publishing	374	518
Chemicals	19,292	124
Engineering	35,696	2,004
Electricity, water and gas	49	-
Construction	34,606	16,527
Retail business	2,864	5,577
Wholesale business	12,023	52,114
Restaurants and hotels	4,622	1,485
Transports and communications	6,420	1,451
Services	61,308	72,513
Consumer credit	36,473	63,803
Mortgage credit	571	1,143
Other domestic activities	397	1,125
Other international activities	52,854	150,167
	279,777	376,626

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

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

	Jun 2013 Euros '000	Jun 2012 Euros '000
Asset-backed loans	82,763	34,862
Personal guaranteed loans	34,648	167,441
Unsecured loans	155,667	171,769
Finance leases	6,699	2,554
	279,777	376,626

The analysis of recovered loans and interest, during the first semester of 2013 and 2012, by sector of activity, is as follows:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Agriculture	4	158
Mining	-	162
Food, beverage and tobacco	67	15
Textiles	122	438
Wood and cork	183	249
Printing and publishing	13	83
Chemicals	37	46
Engineering	16	183
Electricity, water and gas	-	8
Construction	1,886	463
Retail business	94	394
Wholesale business	414	3,771
Restaurants and hotels	92	25
Transports and communications	33	115
Services	123	1,087
Consumer credit	3,046	1,726
Mortgage credit	5	18
Other domestic activities	175	80
Other international activities	11	3
	6,321	9,024

The analysis of recovered loans and interest during the first semester of 2013 and 2012, by type of credit, is as follows:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Asset-backed loans	61	219
Personal guaranteed loans	416	1,147
Unsecured loans	5,762	7,658
Finance leases	82	-
	6,321	9,024

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 2013 Euros '000	Dec 2012 Euros '000
Bonds and other fixed income securities		
Issued by public entities	7,631,142	6,013,872
Issued by other entities	2,177,291	2,590,110
	9,808,433	8,603,982
Overdue securities	4,926	4,929
Impairment for overdue securities	(4,925)	(4,925)
	9,808,434	8,603,986
Shares and other variable income securities	1,089,299	962,186
	10,897,733	9,566,172
Trading derivatives	991,414	1,348,165
	11,889,147	10,914,337

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 2,702,000 (31 December 2012: Euros 3,068,000).

The portfolio of financial instruments held for trading and available for sale securities, net of impairment, as at 30 June 2013, is analysed as follows:

	Securities		
	Trading Euros '000	Available for sale Euros '000	Total Euros '000
Fixed income:			
Bonds issued by public entities			
Portuguese issuers	163,091	1,850,143	2,013,234
Foreign issuers	329,777	1,473,935	1,803,712
Bonds issued by other entities			
Portuguese issuers	12,591	424,338	436,929
Foreign issuers	85,643	708,829	794,472
Treasury bills and other			
Government bonds	-	3,814,196	3,814,196
Commercial paper	-	950,816	950,816
	591,102	9,222,257	9,813,359
Impairment for overdue securities	-	(4,925)	(4,925)
	591,102	9,217,332	9,808,434
Variable income:			
Shares in Portuguese companies	258	63,750	64,008
Shares in foreign companies	2,663	23,723	26,386
Investment fund units	1,385	995,953	997,338
Other securities	1,567	-	1,567
	5,873	1,083,426	1,089,299
Trading derivatives	991,414	-	991,414
	1,588,389	10,300,758	11,889,147
of which:			
Level 1	725,202	7,455,554	8,180,756
Level 2	861,781	2,746,939	3,608,720
Level 3	-	35,873	35,873
Financial assets at cost	1,406	62,392	63,798

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.

During the first semester of 2013, no significant reclassifications were made between valuation levels.

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. The amount of fair value reserves of Euros 17,044,000 is presented net of impairment losses in the amount of Euros 141,842,000.

As mentioned in note 57 the balance Variable income - investment fund units includes the amount of Euros 934,255,000 related to participation units of the funds specialized in recovery loans, acquired under the sale of loans and advances to customers (net of impairment). The amount of Euros 34,610,000 refers to junior tranches (bonds with a more subordinated nature), which are fully provided.

The portfolio of financial instruments held for trading and available for sale securities, net of impairment, as at 31 December 2012, is analysed as follows:

	Securities		
	Trading Euros '000	**Available for sale Euros '000**	**Total Euros '000**
Fixed income:			
Bonds issued by public entities			
Portuguese issuers	162,878	1,468,522	1,631,400
Foreign issuers	48,188	966,782	1,014,970
Bonds issued by other entities			
Portuguese issuers	12,621	465,585	478,206
Foreign issuers	84,541	580,030	664,571
Treasury bills and other			
Government bonds	24,259	3,343,243	3,367,502
Commercial paper	-	1,452,262	1,452,262
	332,487	8,276,424	8,608,911
Impairment for overdue securities	-	(4,925)	(4,925)
	332,487	8,271,499	8,603,986
Variable income:			
Shares in Portuguese companies	335	69,138	69,473
Shares in foreign companies	7,302	23,905	31,207
Investment fund units	1,613	858,869	860,482
Other securities	1,024	-	1,024
	10,274	951,912	962,186
Trading derivatives	1,348,165	-	1,348,165
	1,690,926	9,223,411	10,914,337
of which:			
Level 1	484,144	5,505,410	5,989,554
Level 2	1,205,122	3,611,143	4,816,265
Level 3	-	38,652	38,652
Financial assets at cost	1,660	68,206	69,866

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. The fair value reserve of Euros 68,877,000 is presented net of impairment losses in the amount of Euros 130,945,000.

As mentioned in note 57 the balance Variable income - investment fund units includes, the amount of Euros 813,858,000 related to participation units of the funds specialized in recovery loans, acquired under the sale of loans and advances to customers (net of impairment). The amount of Euros 32,161,000 refers to junior tranches (bonds with a more subordinated nature), which are fully provided.

The reclassifications performed until 30 June 2013, are analysed as follows:

	At the reclassification date		30 June 2013		
	Book value Euros '000	Fair value Euros '000	Book value Euros '000	Fair value Euros '000	Difference Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	13,039	13,039	-
Financial assets held to maturity	2,154,973	2,154,973	1,052,900	993,354	(59,546)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	233,574	209,080	(24,494)
Financial assets held to maturity	627,492	627,492	531,467	564,374	32,907
			1,830,980	1,779,847	(51,133)

The amounts accounted in the income statement and in fair value reserves, as at 30 June 2013 related to reclassified financial assets are analysed as follows:

	Income statement	Changes	
	Interest Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:			
Financial assets available for sale	408	-	408
Financial assets held to maturity	19,510	-	19,510
From Financial assets available for sale to:			
Loans represented by securities	3,585	2	3,587
Financial assets held to maturity	6,222	(179)	6,043
	29,725	(177)	29,548

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 30 June 2013, would be as follows:

	Income statement	Retained earnings			
	Fair value changes Euros '000	Disposal of Millennium Bank (Greece) Euros '000	Others Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	766	-	-	(766)	-
Financial assets held to maturity	22,373	284	(82,203)	-	(59,546)
From Financial assets available for sale to:					
Loans represented by securities	-	-	-	(24,494)	(24,494)
Financial assets held to maturity	-	-	-	32,907	32,907
	23,139	284	(82,203)	7,647	(51,133)

As at 31 December 2012, this reclassification is analysed as follows:

	At the reclassification date		31 December 2012		
	Book value Euros '000	Fair value Euros '000	Book value Euros '000	Fair value Euros '000	Difference Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	12,259	12,259	-
Financial assets held to maturity	2,154,973	2,154,973	1,204,825	1,122,622	(82,203)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	239,335	208,920	(30,415)
Financial assets held to maturity	627,492	627,492	547,811	559,966	12,155
			2,004,230	1,903,767	(100,463)

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2012 related to reclassified financial assets are analysed as follows:

	Income statement			Changes	
	Interest Euros '000	Impairment Euros '000	Total Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	823	-	823	-	823
Financial assets held to maturity	46,457	-	46,457	-	46,457
From Financial assets available for sale to:					
Loans represented by securities	7,378	854	8,232	247	8,479
Financial assets held to maturity	14,321	(363)	13,958	(360)	13,598
	68,979	491	69,470	(113)	69,357

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2012, would be as follows:

	Income statement			
	Fair value changes Euros '000	Retained earnings Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:				
Financial assets available for sale	5,686	-	(5,686)	-
Financial assets held to maturity	190,733	(272,936)	-	(82,203)
From Financial assets available for sale to:				
Loans represented by securities	-	-	(30,415)	(30,415)
Financial assets held to maturity	-	-	12,155	12,155
	196,419	(272,936)	(23,946)	(100,463)

The movements of impairment for financial assets available for sale are analysed as follows:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Balance on 1 January	130,945	62,272
Transfers resulting from changes in the Group's structure	(1,727)	-
Other transfers	1,054	(3,531)
Impairment for the period	13,347	11,203
Impairment against fair value reserves	-	3,953
Write-back for the period	-	(66)
Write-back against fair value reserves	(1,359)	(871)
Loans charged-off	(169)	(33)
Exchange rate differences	(249)	184
Balance on 30 June	141,842	73,111

The Group recognises impairment for financial assets available for sale when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash flows of the assets. This assessment involves judgement in which the Group takes into consideration among other factors, the volatility of the 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 of more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;
- Debt instruments: when there is objective evidence of events with impact on recoverable value of future cash flows of these assets.

The analysis of financial assets held for trading and available for sale by maturity as at 30 June 2013 is as follows:

	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	1	1
Wood and cork	-	501	-	361	862
Printing and publishing	12,096	25	-	998	13,119
Chemicals	-	7	-	-	7
Engineering	-	6	-	-	6
Electricity, water and gas	-	6	-	-	6
Construction	-	1,655	-	2,560	4,215
Retail business	-	332	-	-	332
Wholesale business	-	898	-	475	1,373
Restaurants and hotels	-	74	-	-	74
Transport and communications	138,629	7,020	-	529	146,178
Services	2,026,191	79,849	997,337	2	3,103,379
Other domestic activities	375	16	-	-	391
Other international activities	-	5	1,568	-	1,573
	2,177,291	90,394	998,905	4,926	3,271,516
Government and Public securities	3,816,946	-	3,814,196	-	7,631,142
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	5,994,237	90,394	4,813,101	1	10,897,733

The analysis of financial assets held for trading and available for sale by maturity as at 31 December 2012 is as follows:

	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	4	4
Wood and cork	-	501	-	361	862
Printing and publishing	-	33	-	998	1,031
Chemicals	-	2	-	-	2
Engineering	-	6	-	-	6
Electricity, water and gas	150,567	-	-	-	150,567
Construction	-	1,804	-	2,560	4,364
Wholesale business	-	898	-	475	1,373
Restaurants and hotels	-	74	-	-	74
Transport and communications	42,746	7,020	-	529	50,295
Services	2,396,011	90,262	856,354	2	3,342,629
Other domestic activities	786	16	5,152	-	5,954
Other international activities	-	64	-	-	64
	2,590,110	100,680	861,506	4,929	3,557,225
Government and Public securities	2,646,370	-	3,367,502	-	6,013,872
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	5,236,480	100,680	4,229,008	4	9,566,172

As detailed in note 53, the Group, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes fixed income securities.

The analysis of trading derivatives by maturity as at 30 June 2013 is as follows:

	Jun 2013					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate Derivatives:						
OTC Market:						
Forward rate agreement	461,084	1,948,082	-	2,409,166	1,052	1,448
Interest rate Swaps	3,929,064	6,999,351	16,530,368	27,458,783	751,972	841,514
Interest rate Options (purchase)	40,000	123,476	380,878	544,354	5,322	-
Interest rate Options (sale)	40,000	123,476	379,877	543,353	-	6,964
Other interest rate contracts	21,200	107,041	167,169	295,410	18,456	18,395
	4,491,348	9,301,426	17,458,292	31,251,066	776,802	868,321
Stock Exchange transactions:						
Interest rate futures	20,945	-	-	20,945	-	-
Currency Derivatives:						
OTC Market:						
Forward exchange contract	302,657	89,709	32,038	424,404	5,457	2,341
Currency Swaps	2,971,710	337,875	9,381	3,318,966	19,285	34,761
Currency Options (purchase)	15,005	12,651	5,556	33,212	490	-
Currency Options (sale)	8,013	12,651	5,556	26,220	-	469
	3,297,385	452,886	52,531	3,802,802	25,232	37,571
Share/debt instruments Derivatives:						
OTC Market:						
Shares/indexes Swaps	12,295	401,191	150,135	563,621	4,266	3,702
Shares/indexes Options (purchase)	12,112	-	2,067	14,179	-	-
Shares/indexes Options (sale)	599	-	-	599	-	-
Debt instruments forwards	-	30,000	-	30,000	1,604	-
Shares/indexes futures	60	-	-	60	-	-
	25,066	431,191	152,202	608,459	5,870	3,702
Stock Exchange transactions:						
Shares futures	174,868	-	-	174,868	-	-
Shares/indexes Options (purchase)	123,687	204,263	92,224	420,174	129,633	-
Shares/indexes Options (sale)	7,251	19,771	9,925	36,947	-	129,181
	305,806	224,034	102,149	631,989	129,633	129,181
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	32,270	-	-	32,270	-	-
Credit derivatives:						
OTC Market:						
Credit Default Swaps	211,250	818,800	2,996,446	4,026,496	51,175	49,794
Other credit derivatives (sale)	-	-	36,034	36,034	-	-
	211,250	818,800	3,032,480	4,062,530	51,175	49,794
Total financial instruments traded in:						
OTC Market	8,025,049	11,004,303	20,695,505	39,724,857	859,079	959,388
Stock Exchange	359,021	224,034	102,149	685,204	129,633	129,181
Embedded derivatives					2,702	968
	8,384,070	11,228,337	20,797,654	40,410,061	991,414	1,089,537

The analysis of trading derivatives by maturity as at 31 December 2012 is as follows:

	Dec 2012					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate Derivatives:						
OTC Market:						
Forward rate agreements	410,267	866,120	-	1,276,387	1,007	1,432
Interest rate Swaps	3,216,616	6,948,550	19,649,605	29,814,771	1,031,517	1,021,453
Interest rate Options (purchase)	13,534	50,960	706,135	770,629	8,780	-
Interest rate Options (sale)	13,534	50,960	341,079	405,573	-	10,615
Other interest rate contracts	52,400	108,894	289,276	450,570	21,682	21,718
	3,706,351	8,025,484	20,986,095	32,717,930	1,062,986	1,055,218
Stock Exchange transactions:						
Interest rate Futures	-	18,948	-	18,948	-	-
Currency Derivatives:						
OTC Market:						
Forward exchange contract	242,233	82,272	25,096	349,601	8,639	4,821
Currency Swaps	3,012,870	310,080	17,489	3,340,439	16,345	27,179
Currency Options (purchase)	15,201	5,048	-	20,249	258	-
Currency Options (sale)	14,550	5,048	-	19,598	-	262
	3,284,854	402,448	42,585	3,729,887	25,242	32,262
Share Derivatives:						
OTC Market:						
Shares/indexes Swaps	62,987	40,371	137,114	240,472	17,510	3,828
Shares/indexes Options (purchase)	16,517	-	2,067	18,584	-	-
Shares/indexes Options (sale)	35,183	25,700	78,000	138,883	-	-
Preference shares forwards	-	-	30,000	30,000	1,219	-
Other shares/indexes contracts	7,489	-	-	7,489	-	-
	122,176	66,071	247,181	435,428	18,729	3,828
Stock Exchange transactions:						
Shares futures	85,056	-	-	85,056	-	-
Shares/indexes Options (purchase)	69,208	302,252	72,192	443,652	144,261	-
Shares/indexes Options (sale)	4,755	18,825	10,654	34,234	-	144,572
	159,019	321,077	82,846	562,942	144,261	144,572
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	28,765	-	-	28,765	-	-
Credit derivatives:						
OTC Market:						
Credit Default Swaps	-	710,000	3,099,300	3,809,300	93,879	95,268
Other credit derivatives (sale)	-	-	29,572	29,572	-	-
	-	710,000	3,128,872	3,838,872	93,879	95,268
Total financial instruments traded in:						
OTC Market	7,113,381	9,204,003	24,404,733	40,722,117	1,200,836	1,186,576
Stock Exchange	187,784	340,025	82,846	610,655	144,261	144,572
Embedded derivatives					3,068	693
	7,301,165	9,544,028	24,487,579	41,332,772	1,348,165	1,331,841

25. Hedging derivatives

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Hedging instruments		
Assets:		
Swaps	113,460	186,032
	113,460	186,032
Liabilities:		
Swaps	335,579	301,315
	335,579	301,315

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 and deposits and money market loans. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness for the year of a negative amount of Euros 6,239,000 (31 December 2012: negative amount of Euros 29,457,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness for the period of a negative amount of Euros 1,088,000 (31 December 2012: negative amount of Euros 14,623,000).

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Hedged item		
Loans not represented by securities	3,692	6,136
Loans represented by securities	965	646
Deposits	(22,307)	(23,333)
Loans	3,159	4,405
Debt issued	(175,601)	(235,125)
Financial assets held to maturity	1,680	3,623
	(188,412)	(243,648)

The analysis of hedging derivatives portfolio by maturity as at 30 June 2013 is as follows:

	Jun 2013					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	195,583	1,736,352	3,049,640	4,981,575	96,982	63,599
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Forward exchange contract	111,247	274,752	-	385,999	-	-
Interest rate Swaps	14,995	1,162,727	3,147,383	4,325,105	16,267	265,627
	126,242	1,437,479	3,147,383	4,711,104	16,267	265,627
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Forward exchange contract	7,056	21,320	24,943	53,319	211	6,353
Total financial instruments						
Traded by:						
OTC Market	328,881	3,195,151	6,221,966	9,745,998	113,460	335,579

The analysis of hedging derivatives portfolio by maturity as at 31 December 2012 is as follows:

	Dec 2012					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	627,068	517,765	4,731,938	5,876,771	117,841	75,042
Hedging derivatives related to credit risk changes:						
Embedded derivatives	-	-	-	-	-	5,414
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	858,026	792,944	3,401,440	5,052,410	67,255	212,877
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Forward exchange contract	7,373	22,271	41,244	70,888	936	7,982
Total financial instruments						
Traded by:						
OTC Market	1,492,467	1,332,980	8,174,622	11,000,069	186,032	295,901
Embedded derivatives					-	5,414
	1,492,467	1,332,980	8,174,622	11,000,069	186,032	301,315

26. Financial assets held to maturity

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Bonds and other fixed income securities		
Issued by Government and public entities	2,117,662	2,093,921
Issued by other entities	1,103,967	1,475,045
	3,221,629	3,568,966

The balance Bonds and other fixed income securities - Issued by Government and public entities, includes as at 30 June 2013, the amount of Euros 2,062,059,000 (31 December 2012: Euros 2,037,530,000) related to European Union countries, in bailout situation, detailed in note 56.

The balance Financial assets held to maturity also includes, as at 30 June 2013, the amount of Euros 1,052,900,000 (31 December 2012: Euros 1,204,825,000) 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 2013, the amount of Euros 531,467,000 (31 December 2012: Euros 547,811,000) related to non derivatives financial assets (bonds) reclassified from financial assets available for sale caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 24.

The movements of impairment for Financial assets held to maturity, are analysed as follows:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Balance on 1 January	-	532,665
Impairment for the period	-	119
Securities charged-off	-	(532,784)
Balance on 30 June	-	-

As at 1 January 2012, the balance of Impairment for securities corresponded to the impairment recognised on Greek sovereign debt, considering the evolution of the European Union sovereign debt crisis and specifically the economic and political environment in Greece, which contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the international markets, which implied that the short term solvency of the country is dependent on the continuous support by EU and IMF.

Impairment was determined considering the terms of the agreement established between the Greek state and the private sector ('PSI'), related to the restructuring of the Greek sovereign debt (‘GGBs’). 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 bonds' characteristics, as at 1 January 2012, the fair value corresponded to approximately 23% of the book value of the portfolio. Following of the reestructuring of the Greek sovereign debt in the first half of 2012, the impairment was charged off. The exchange offer occurred in 12 March 2012.

The PSI is part of an European Union Euros 130,000,000,000 bailout package for Greece.

After the exchange, the Group sold almost all portfolio of Greek sovereign debt arising from the PSI.

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Transport and communications	172,695	170,845
Services	931,272	1,304,200
	1,103,967	1,475,045
Government and Public securities	2,117,662	2,093,921
	3,221,629	3,568,966

As detailed in note 53, 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 were the Group operates, which include fixed income securities.

27. Investments in associated companies

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Portuguese credit institutions	26,467	25,408
Foreign credit institutions	25,680	26,364
Other Portuguese companies	469,599	455,444
Other foreign companies	9,195	9,764
	530,941	516,980

The balance Investments in associated companies is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Banque BCP, S.A.S.	23,427	21,734
Banque BCP (Luxembourg), S.A.	2,253	4,630
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	453,860	439,595
SIBS, S.G.P.S, S.A.	14,533	14,612
Unicre - Instituição Financeira de Crédito, S.A.	26,467	25,408
Other	10,401	11,001
	530,941	516,980

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's companies included in the consolidation perimeter are presented in note 58.

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 period Euros '000
Jun 2013				
Banque BCP, S.A.S.	1,951,550	1,833,824	75,500	7,374
Banque BCP (Luxembourg), S.A.	613,467	590,710	8,357	(556)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	11,833,285	10,466,966	346,479	45,161
SIBS, S.G.P.S, S.A. (*)	141,959	75,728	135,591	4,211
Unicre - Instituição Financeira de Crédito, S.A. (*)	303,083	220,374	220,450	5,715
VSC - Aluguer de Veículos Sem Condutor, Lda.	11,507	11,073	3,726	(627)
Dec 2012				
Banque BCP, S.A.S.	1,976,941	1,867,722	120,323	10,256
Banque BCP (Luxembourg), S.A.	602,162	578,897	19,426	931
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	12,022,761	10,673,081	551,592	93,692
SIBS, S.G.P.S, S.A.	150,443	82,200	144,031	8,423
Unicre - Instituição Financeira de Crédito, S.A.	306,230	224,658	231,070	8,325
VSC - Aluguer de Veículos Sem Condutor, Lda.	27,204	55,144	18,786	(11,145)

(*) - estimated values.

28. Non current assets held for sale

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Subsidiaries acquired exclusively with the purpose of short-term sale	48,986	49,119
Investments, properties and other assets arising from recovered loans	1,550,585	1,554,470
	1,599,571	1,603,589
Impairment	(321,668)	(319,463)
	1,277,903	1,284,126

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

The balance Investments, properties and other assets arising from recovered loans includes assets resulting from (i) foreclosure, with an option to repurchase or leaseback, which are accounted following the establishment of the contract or the promise of contract and the respective irrevocable power of attorney issued by the client on behalf of the Bank, or (ii) judicial foreclosure as a result of the judicial process of execution of collaterals, accounted for with the title of adjudication or following the adjudication request after the record of the first pledge.

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

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

The referred balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euros 107,149,000 (31 December 2012: Euros 103,063,000).

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

The movements of impairment for non current assets held for sale are analysed as follows:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Balance on 1 January	319,463	297,229
Transfers	-	14
Impairment for the period	62,454	63,165
Write-back for the period	(1,374)	(14)
Loans charged-off	(58,586)	(83,528)
Exchange rate differences	(289)	-
Balance on 30 June	321,668	276,866

29. Investment property

The balance Investment property includes the amount of Euros 538,231,000 (31 December 2012: Euros 544,142,000) 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 evaluated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

30. Property and equipment

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Land and buildings	896,240	971,143
Equipment		
Furniture	89,733	98,415
Machines	55,129	56,540
Computer equipment	295,565	316,939
Interior installations	143,603	148,097
Motor vehicles	21,967	20,584
Security equipment	84,494	84,180
Other equipment	32,474	44,886
Work in progress	94,137	115,786
Other tangible assets	461	455
	1,713,803	1,857,025
Accumulated depreciation		
Charge for the period	(26,384)	(62,292)
Accumulated charge for the previous periods	(1,125,983)	(1,168,335)
	(1,152,367)	(1,230,627)
	561,436	626,398

At 31 December 2012, the balance Accumulated depreciation charge for the period included the amount of Euros 5,666,000 from Millennium Bank, Societé Anonyme (Greece).

31. Goodwill and intangible assets

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Intangible assets		
Software	112,821	151,956
Other intangible assets	54,246	58,129
	167,067	210,085
Accumulated depreciation		
Charge for the period	(8,086)	(15,773)
Accumulated charge for the previous periods	(122,178)	(149,644)
	(130,264)	(165,417)
	36,803	44,668
Goodwill		
Millennium Bank, Societé Anonyme (Greece)	-	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	15,596	15,570
	227,931	522,165
Impairment		
Millennium Bank, Societé Anonyme (Greece)	-	(294,260)
Others	(13,519)	(13,519)
	(13,519)	(307,779)
	214,412	214,386
	251,215	259,054

At 31 December 2012, the balance Accumulated depreciation charge for the period included the amount of Euros 1,592,000 from Millennium Bank, Societé Anonyme (Greece).

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

In accordance with IAS 36 the recoverable amount of goodwill should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on this criteria, the Group made in 2012, valuations of their investments for which there is goodwill recognised considering among other factors:

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

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

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

32. Income Tax

Deferred income tax assets and liabilities as at 30 June 2013, generated by temporary differences are analysed as follows:

	Jun 2013		
	Assets	**Liabilities**	**Net**
	Euros '000	**Euros '000**	**Euros '000**
Intangible assets	58	-	58
Other tangible assets	6,215	3,838	2,377
Impairment losses	720,135	6,067	714,068
Benefits to employees	543,117	-	543,117
Financial assets available for sale	10,162	21,582	(11,420)
Allocation of profits	144,642	1	144,641
Derivatives	-	2,408	(2,408)
Tax losses carried forward	533,981	-	533,981
Others	31,433	101,898	(70,465)
Total deferred taxes	1,989,743	135,794	1,853,949
Offset between deferred tax assets and deferred tax liabilities	(132,800)	(132,800)	-
Net deferred taxes	1,856,943	2,994	1,853,949

Deferred income tax assets and liabilities as at 31 December 2012, generated by temporary differences are analysed as follows:

	Dec 2012		
	Assets	**Liabilities**	**Net**
	Euros '000	**Euros '000**	**Euros '000**
Intangible assets	58	-	58
Other tangible assets	5,633	3,851	1,782
Impairment losses	775,176	4,750	770,426
Benefits to employees	565,917	-	565,917
Financial assets available for sale	9,433	37,559	(28,126)
Allocation of profits	68,634	-	68,634
Derivatives	-	2,784	(2,784)
Tax losses carried forward	448,681	-	448,681
Others	31,687	103,732	(72,045)
Total deferred taxes	1,905,219	152,676	1,752,543
Offset between deferred tax assets and deferred tax liabilities	(149,808)	(149,808)	-
Net deferred taxes	1,755,411	2,868	1,752,543

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

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

The caption deferred tax assets - Employee Benefits includes the amount of Euros 282,933,000 (31 December 2012: Euros 289,994,000) related to the recognition of deferred taxes associated with actuarial gains and losses recognised against reserves, as a result of a change in the accounting policy. The referred caption also includes the amount of Euros 42,474,000 (31 December 2012: Euros 45,129,000) related to deferred taxes associated to the charge deriving from the transfer of the liabilities with retired employees / pensioners to the General Social Security Scheme, which was recognised in the income statement.

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

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

Expire date	Jun 2013 Euros '000	Dec 2012 Euros '000
2013	-	1
2014	8,397	11,611
2015	9,103	28,065
2016	1,324	21,108
2017	298,493	383,957
2018 and following years	216,664	3,939
	533,981	448,681

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Impairment losses	141,886	93,439
Benefits to employees	198,735	218,712
Tax losses carried forward	92,937	122,550
	433,558	434,701

The impact of income taxes in Net (loss) / income and other captions of equity of the Group, as at 30 June 2013, is analysed as follows:

	Jun 2013			
	Net (loss) / income Euros '000	Reserves and retained earnings Euros '000	Exchange differences Euros '000	Discontinued operations Euros '000
Deferred taxes				
Intangible assets	727	-	(132)	-
Other tangible assets	(20,463)	-	(4,007)	(31,888)
Impairment losses	(11,124)	(9,978)	(544)	(1,154)
Benefits to employees	-	17,109	(609)	206
Allocation of profits	76,007	-	-	-
Derivatives	213	-	163	-
Tax losses carried forward	119,408	16,570	659	(51,336)
Others	1,526	(506)	1,311	(753)
	166,294	23,195	(3,159)	(84,925)
Current taxes				
Actual period	(33,646)	65	-	-
Correction of previous periods estimate	(2,589)	-	-	-
	(36,235)	65	-	-
	130,059	23,260	(3,159)	(84,925)

The impact of income taxes in Net (loss) / income and other captions of equity of the Group, as at 31 December 2012, is analysed as follows:

	Dec 2012			
	Net (loss) / income Euros '000	Reserves and retained earnings Euros '000	Exchange differences Euros '000	Discontinued operations Euros '000
Deferred taxes				
Intangible assets	(1)	-	-	-
Other tangible assets	1,385	-	196	-
Impairment losses	156,291	(20,746)	3,136	8,627
Benefits to employees	(42,559)	1,515	533	401
Financial assets available for sale	-	(97,339)	484	(375)
Allocation of profits	(10,126)	-	-	-
Derivatives	821	-	(292)	-
Tax losses carried forward	139,945	21,513	4,629	29,427
Others	(33,268)	-	(5,481)	31,675
	212,488	(95,057)	3,205	69,755
Current taxes				
Actual period	(71,539)	2	-	-
Correction of previous periods estimate	(10,157)	-	-	-
	(81,696)	2	-	-
	130,792	(95,055)	3,205	69,755

The reconciliation of the effective tax rate is analysed as follows:

	Jun 2013		Jun 2012	
	%	Euros '000	%	Euros '000
Net loss before income taxes	0.0%	(532,552)	0.0%	32,060
Current tax rate	29.0%	154,440	29.0%	(9,297)
Foreign tax rate effect and in “Zona Franca da Madeira” (i)	0.6%	3,141	-30.6%	9,818
Accruals for the calculation of taxable income (ii)	-11.2%	(59,852)	79.9%	(25,631)
Deductions for the calculation of taxable income (ii)	8.1%	42,964	-96.4%	30,908
Fiscal incentives (iii)	0.7%	3,648	-16.4%	5,245
Effect of the tax losses used / recognised	-0.1%	(502)	12.5%	(4,019)
Effect of deferred tax losses not recognised previously	1.3%	6,828	22.8%	(7,323)
Tax rate effect (iv)	-3.8%	(20,037)	71.6%	(22,948)
Previous periods corrections	0.1%	339	-12.8%	4,112
(Autonomous tax) / tax credits	-0.2%	(910)	3.1%	(1,007)
	24.5%	130,059	62.7%	(20,142)

References:

(i) - Corresponds, essentially, to tax associated with provisions not allowed for tax purposes;
(ii) - 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 27,028,000 (Tax: Euros 7,838,000);
b) Net income of associated companies consolidated under the equity method, in the net amount of Euros 30,684,000 (Tax: Euros 8,898,000);
c) Fair value adjustment in the amount of Euros 54,693,000 (Tax: Euros 15,861,000);
(iii) - Includes namely interest income of Angola Sovereign debt in the amount of Euros 7,324,000 (Tax: Euros 2,564,000);
(iv) - Corresponds, essentially to the difference in rate of deferred tax associated with tax losses.

33. Other assets

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Debtors	210,037	301,878
Supplementary capital contributions	131,297	137,230
Amounts due for collection	20,903	20,671
Recoverable tax	53,142	122,851
Recoverable government subsidies on interest on mortgage loans	15,514	17,272
Associated companies	7,849	1,896
Interest and other amounts receivable	40,247	28,374
Prepayments and deferred costs	29,294	26,178
Amounts receivable on trading activity	410,933	209,924
Amounts due from customers	97,540	136,815
Reinsurance technical provision	6,353	3,164
Sundry assets	285,987	278,116
	1,309,096	1,284,369
Impairment for other assets	(165,785)	(160,046)
	1,143,311	1,124,323

As referred in note 57, the balance Supplementary capital contributions includes, the amount of Euros 124,428,000 (31 December 2012: Euros 117,256,000) and the balance Sundry assets includes, the amount of Euros 10,805,000 (31 December 2012: Euros 10,805,000), related to the junior bonds related with the sale of loans and advances to costumers to Specialized recovery Funds which are fully provided.

The balance Sundry assets includes, as at 30 June 2013, the amount of Euros 112,903,000 (31 December 2012: Euros: 139,071,000) related to the assets associated with liabilities for post-employment benefits, as described in note 50.

The movement of impairment for other assets is analysed as follows:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Balance on 1 January	160,046	82,586
Transfers resulting from changes in the Group's structure	(1,450)	-
Other transfers	535	(18,907)
Impairment for the period	7,969	13,084
Write back for the period	(1,336)	(438)
Exchange rate differences	21	(159)
Balance on 30 June	165,785	76,166

34. Deposits from credit institutions

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Central Banks	12,100,530	12,400,010
Credit institutions in Portugal	183,287	156,831
Credit institutions abroad	2,286,975	2,708,919
	14,570,792	15,265,760

Within the scope of the derivative financial transactions with institutional counterparties, and according to the signed agreements, the Group has the amount of Euros 76,703,000 (31 December 2012: 110,048,000) of Deposits from other credit institutions, received as collateral of the mentioned transactions.

35. Deposits from customers

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Deposits from customers:		
Repayable on demand	14,397,423	14,411,462
Term deposits	30,821,326	32,906,076
Saving accounts	1,804,103	1,750,451
Treasury bills and other assets sold under repurchase agreement	121,327	43,707
Others	319,650	278,170
	47,463,829	49,389,866

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 2013 Euros '000	Dec 2012 Euros '000
Bonds	10,116,772	13,441,773
Others	208,664	106,490
	10,325,436	13,548,263

37. Financial liabilities held for trading

The balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Derivatives		
FRA	1,448	1,432
Swaps	948,166	1,169,446
Options	136,614	155,449
Embedded derivatives	968	693
Forwards	2,341	4,821
Others	-	61,353
	1,089,537	1,393,194
of which:		
Level 1	129	-
Level 2	1,089,408	1,393,194

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 968,000 (31 December 2012: Euros 693,000). 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 2013 Euros '000	Dec 2012 Euros '000
Deposits from customers	419,965	14,532
Bonds	300,835	314,735
	720,800	329,267

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 2013, a loss in the amount of Euros 8,283,000 was recognised (31 December 2012: loss of Euros 30,047,000) 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 2013 Euros '000	Dec 2012 Euros '000
Provision for guarantees and other commitments	152,897	107,470
Technical provision for the insurance activity:		
For direct insurance and reinsurance accepted:		
Unearned premium / reserve	15,959	11,403
Life insurance	52,285	50,814
Bonuses and rebates	226	2,286
Other technical provisions	10,947	9,962
Provision for pension costs	-	4,440
Other provisions for liabilities and charges	166,879	66,953
	399,193	253,328

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

	Jun 2013 Euros '000	Jun 2012 Euros '000
Balance on 1 January	107,470	100,708
Transfers resulting from changes in the Group's structure	(7,721)	-
Other transfers	2,348	4,577
Charge for the period	58,126	21,976
Write-back for the period	(6,887)	(8,645)
Amounts charged-off	-	231
Exchange rate differences	(439)	-
Balance on 30 June	152,897	118,847

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

	Jun 2013 Euros '000	Jun 2012 Euros '000
Balance on 1 January	66,953	59,961
Transfers resulting from changes in the Group's structure	(1,223)	607
Other transfers	678	(442)
Charge for the period	103,233	7,000
Write-back for the period	(940)	(378)
Amounts charged-off	(1,552)	(2,960)
Exchange rate differences	(270)	(75)
Balance on 30 June	166,879	63,713

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

As at 30 June 2013, the Group accounted for a provision of Euros 80,000,000, in the balance Other provisions for liabilities and charges, associated with the subscription of ordinary shares of Piraeus Bank, in the amount of Euros 400,000,000 related to the ongoing capitalisation process, which advance is accounted for in note 21.

40. Subordinated debt

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Bonds	4,459,149	4,298,773
	4,459,149	4,298,773

The caption Subordinated debt - Bonds includes, as at 30 June 2013, the amount of Euros 3,000,000,000 related to the issue of hybrids subordinated debt instruments that qualify as Core Tier I Capital (CoCo's), in 29 June 2012 by Banco Comercial Português, S.A. and fully subscribed by the Portuguese State. The instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances such as delinquency or lack of payment, are susceptible of being convert in Bank's ordinary shares.

The referred instruments were issued under the scope of the recapitalisation program of the bank, using the Euros 12,000,000,000 line made available by the portuguese State, under the scope of the IMF intervention program, in accordance with the Law no. 150-A/2012. These instruments are eligible for prudential effects as Core Tier I, allowing the Bank to fulfil the 10% limit of the Core Tier I ratio as at 31 December 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) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

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

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

As at 30 June 2013, the characteristics of subordinated debt issued are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Non Perpetual Bonds					
Banco Comercial Português:					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018	See reference (i)	251,440	251,440
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018	See reference (i)	70,802	70,802
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020	See reference (ii)	87,178	89,891
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020	See reference (iii)	53,298	55,788
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	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	7,960
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	46,795
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	35,597
Bcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	21,995
Mill Bcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	10,958
Mbcp Subord fev2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	19,611
Bcp Subord abr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	43,927
Bcp Subord 2 Serie abr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	21,358
Bcp Subordinadas jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate of 9.000%	26,250	21,496
Bank Millennium:					
Bank Millennium 2007	December, 2007	December, 2017	Euribor 6M + 2%	149,710	149,710
Banco de Investimento Imobiliário:					
BII 2004	December, 2004	December, 2014	See reference (v)	15,000	14,991
BCP Finance Bank:					
BCP Fin Bank Ltd EMTN - 295	December, 2006	December, 2016	See reference (vi)	71,209	71,190
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate of 13.000%	98,850	70,343
Magellan No. 3:					
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44
					1,216,996

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Perpetual Bonds					
BCP - Euro 200 millions	June, 2002	-	See reference (vii)	87	48
TOPS BPSM 1997	December, 1997	-	Euribor 6M + 0.900%	22,370	22,892
BCP Leasing 2001	December, 2001	-	See reference (viii)	5,117	5,117
					28,057
CoCo's					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (ix)	3,000,000	3,017,638
					3,017,638
Accruals					196,458
					4,459,149

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 2013 Euros '000	Dec 2012 Euros '000
Creditors:		
Suppliers	30,571	50,388
From factoring operations	7,943	6,444
Associated companies	2,605	160
Other creditors	205,471	239,974
Public sector	64,826	86,934
Interests and other amounts payable	120,022	98,381
Deferred income	4,670	7,097
Holiday pay and subsidies	67,131	69,370
Other administrative costs payable	1,199	1,313
Amounts payable on trading activity	295,258	35,999
Other liabilities	355,432	349,569
	1,155,128	945,629

The balance Creditors - Other creditors includes the amount of Euros 4,413,000 (31 December 2012: Euros 4,413,000), 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 balance Creditors - Other creditors also includes, Euros 50,162,000 (31 December 2012: Euros 49,562,000) related with the seniority premium, as described in note 50.

42. Share capital, preference shares and other capital instruments

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

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

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

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 approved in the General Shareholders Meeting held on 20 May 2013, the Bank reversed its legal reserve in the amount of Euros 406,730,000 to cover part of the negative balance of Retained Earnings.

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

44. Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Actuarial losses (net of taxes)	(1,883,618)	(1,843,748)
Exchange differences arising on consolidation	(114,069)	(93,159)
Fair value reserves		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	70,569	135,787
Fair value hedge adjustments	207	(2,222)
Loans represented by securities (*)	(28)	(30)
Financial assets held to maturity (*)	5,684	5,863
In associated companies and others	(59,388)	(70,521)
Cash-flow hedge	(35,935)	(33,124)
	(18,891)	35,753
Tax		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	(20,578)	(38,331)
Fair value hedge adjustments	(60)	644
Loans represented by securities	8	9
Financial assets held to maturity	(1,648)	(1,700)
Cash-flow hedge	6,828	6,293
	(15,450)	(33,085)
	(2,032,028)	(1,934,239)
Other reserves and retained earnings:		
Legal reserve	193,270	600,000
Statutory reserve	30,000	30,000
Other reserves and retained earnings	1,585,829	2,325,250
Other reserves arising on consolidation	(168,265)	(168,322)
	1,640,834	2,786,928

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

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Financial assets available for sale at amortised cost	10,372,031	9,218,569
Accumulated impairment recognised	(141,842)	(130,945)
Amortised cost net of impairment	10,230,189	9,087,624
Fair value reserves		
Potential gains and losses recognised in fair value reserves	70,569	135,787
Market value	10,300,758	9,223,411

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 Other comprehensive income includes gains and losses that in accordance with IAS/IFRS are recognised in equity.

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

	Balance on 1 January Euros '000	Revaluation Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 30 June Euros '000
Millenniumbcp Ageas	(74,133)	9,628	-	-	(64,505)
Portuguese public debt securities	129,519	(10,203)	-	(48,897)	70,419
Other investments	13,491	2,247	510	(5,118)	11,130
	68,877	1,672	510	(54,015)	17,044

The changes occurred, during the second semester of 2012, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

	Balance on 30 June Euros '000	Revaluation Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 31 December Euros '000
Millenniumbcp Ageas	(148,826)	74,693	-	-	(74,133)
Portuguese public debt securities	(6,370)	185,548	-	(49,659)	129,519
Other investments	(52,180)	9,358	63,443	(7,130)	13,491
	(207,376)	269,599	63,443	(56,789)	68,877

The changes occurred, during the first semester of 2012, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

	Balance on 1 January Euros '000	Revaluation Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 30 June 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)	(802)	11,137	8,126	(52,179)
	(471,254)	242,156	11,137	10,586	(207,375)

45. Treasury stock

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares		Other treasury stock	Total
Jun 2013				
Net book value (Euros '000)	7,646		8,862	16,508
Number of securities	79,650,089	(*)		
Average book value (Euros)	0.10			
Dec 2012				
Net book value (Euros '000)	6,377		7,835	14,212
Number of securities	85,018,572	(*)		
Average book value (Euros)	0.08			

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 2013, this balance includes 79,650,089 shares (31 December 2012: 85,018,572 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

The balance Non-controlling interests is analysed as follows:

	Balance Sheet		Income Statement	
	Jun 2013 Euros '000	Dec 2012 Euros '000	Jun 2013 Euros '000	Jun 2012 Euros '000
Bank Millennium, S.A.	397,544	408,371	20,906	15,805
BIM - Banco Internacional de Moçambique, SA	119,714	114,583	13,892	15,982
Banco Millennium Angola, S.A.	118,340	109,198	9,130	8,378
Other subsidiaries	(4,179)	(4,138)	59	(675)
	631,419	628,014	43,987	39,490

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Exchange differences arising on consolidation	(22,390)	3,232
Fair value reserves	(17,861)	(10,501)
Deferred taxes	2,964	1,490
	(37,287)	(5,779)
Others	668,706	633,793
	631,419	628,014

47. Guarantees and other commitments

This balance is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Guarantees granted	5,792,132	6,421,332
Guarantees received	29,181,961	29,223,557
Commitments to third parties	7,581,544	8,548,959
Commitments from third parties	16,588,061	16,079,980
Securities and other items held for safekeeping on behalf of customers	110,260,000	109,900,993
Securities and other items held under custody by the Securities Depository Authority	134,976,461	135,503,962
Other off balance sheet accounts	160,826,963	163,375,235

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

	Jun 2013 Euros '000	Dec 2012 Euros '000
Guarantees granted:		
Guarantees	4,568,670	5,065,783
Stand-by letter of credit	68,956	196,457
Open documentary credits	266,876	220,991
Bails and indemnities	887,630	938,101
	5,792,132	6,421,332
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	98,222	4,328
Irrevocable credit lines	1,725,022	2,078,741
Other irrevocable commitments	661,150	308,493
Revocable commitments		
Revocable credit lines	3,744,777	4,889,877
Bank overdraft facilities	1,188,032	1,137,876
Other revocable commitments	164,341	129,644
	7,581,544	8,548,959

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 2013

Banco Comercial Português informs about the conclusion of the sale of Millennium Bank in Greece

As at 19 June 2013, the Banco Comercial Português S.A concluded the sale of entire share capital of Millennium Bank Greece to Piraeus Bank which includes: (i) the sale of the entire share capital of Millennium Bank (Greece) ("MBG") and, (ii) the investment by BCP in the forthcoming capital increase of Piraeus Bank. This agreement falls within the framework that has been defined by the Bank of Greece and the Hellenic Financial Stability Fund ("HFSF") aiming at the restructuring of the Greek banking system and strengthening its financial stability. The terms and conditions of the transactions have been approved by the HFSF.

Prior to the completion of the acquisition, BCP has recapitalised MBG in the total amount of Euros 413,000,000, which is covered by the Euros 427,000,000 provision created in 2012 for potential losses at MBG.

BCP is also going to subscribe for Piraeus Bank ordinary shares in the amount of Euros 400,000,000 in the ongoing capitalisation process. As referred in note 21, this amount is accounted for in the balance Loans and advances to credit institutions repayable on demand - Credit institutions abroad. Considering the risk associated to the investment, the subscription price and the evolution of the quoted price of Piraeus bank, it was accounted for, as referred in note 39, an impairment of Euros 80,000,000 was accounted for associated with this investment.

With the conclusion of this disposal, the Group ceases to consolidate the Greek's subsidiaries, whose balance sheet as at 31 December, 2012, that were incorporated in the Group's consolidated accounts, are analysed as follows:

	Balance sheet 2012
	Euros '000
Cash and deposits at credit institutions	162,853
Loans and advances to credit institutions	45,403
Loans and advances to customers	4,235,542
Securities and trading derivatives	149,117
Other assets	238,474
Total assets	4,831,389
Deposits from Central Banks	255,564
Deposits from other credit institutions	1,046,749
Deposits from customers	2,912,143
Debt securities issued	112,160
Financial liabilities held for trading	75,524
Other liabilities	231,643
Total Liabilities	4,633,783
Share capital	219,479
Share premium	481,637
Reserves and retained earnings	(503,608)
Non-controlling interests	98
Total Equity	197,606
Total Equity and liabilities	4,831,389

General Meeting in 20 May 2013

On 20 May, 2012, the Annual General Meeting of the Bank was held with 46.7% of the share capital represented. In this meeting the following resolutions were taken: (i) Approval of the individual and consolidated annual report, balance sheet and financial statements of 2012; (ii) Approval of the proposal to transfer the losses recorded in the 2012 individual balance sheet, to Retained Earnings and covering of the negative amount of this balance against Other reserves, Share Premium and part of the Legal reserves; (iii) Approval of a vote of support and praise addressed to the Board of Directors, including its Executive Committee and Audit Committee and to each one of their members, as well to the Statutory Auditor; (iv) Approval of the proposal for the election of one member to the Remuneration and Welfare Board, increasing the number of members in the 2012/2014 term-of-office to 5; (v) Approval of the remuneration policy for the members of the Board of Directors, including the Executive Committee and approval of the remuneration policy for heads of function, senior executives and other employees; (vi) Approval of the proposal of acquisition and sale of own shares and bonds.

Synthetic securitization operation

Conclusion, on 28 June 2013 of a synthetic securitization transaction with placement in the capital markets with the aim of releasing regulatory capital associated to a SME and Entrepreneurs through effective risk transference in the amount of Euros 2.381.248.000.

Repurchase and cancelation of Euros 1,750,000,000 floating rate notes issue

As at 28 June 2013, BCP proceeded a repurchase and full cancelation of an Euros 1,750,000,000 floating rate notes issue guaranteed by the Portuguese Republic under the State Special Guarantee Framework of the Portuguese Republic, which was placed in BII.

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.

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

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

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

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

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

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

For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.50% as at 30 June 2013 (31 December 2012: 0.75%).

Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period). As at 30 June 2013, the average discount rate was 2.80% for loans and advances and 3.01% for deposits. As at 31 December 2012 the rates were 3.87% and 3.13%, 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 credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

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

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

Financial assets held to maturity

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

Hedging and trading derivatives

All derivatives are recorded at fair value.

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

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

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments for each of the homogeneous classes of this type of instrument and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the fourth quarter of 2012. The average discount rate was 5.59% as at 30 June 2013 and 4.92% 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 for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate used reflects the actual rates of the Group to this type of funds and with similar residual maturity date. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the spread of the Group at the date of the report, which was calculated from the average production of the fourth quarter of 2012. As at 30 June 2013, the average discount rate was 2.69% and as at 31 December 2012 was 3.43%.

Debt securities issued and Subordinated debt

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

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

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

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

The average reference yield curve obtained from market prices in EUR and used in the calculation of the fair value of own securities was 8.96% (31 December, 2012: 9.71%) for subordinated debt placed on the institutional market. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 8.30% (31 December, 2012: 12.21%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 4.33% (31 December 2012: 5.38%) and 3.85% (31 December, 2012: 4.25%) 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 2013 is a negative amount of Euros 116,890,000 (31 December 2012: a negative amount of Euros 250,147,000), and includes a receivable amount of Euros 1,734,000 (31 December 2012: a receivable amount of Euros 2,375,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 30 June 2013, 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	0.07%	0.15%	0.43%	2.69%
7 days	0.07%	0.16%	0.43%	2.69%
1 month	0.07%	0.21%	0.47%	2.68%
2 months	0.12%	0.27%	0.52%	2.65%
3 months	0.16%	0.32%	0.56%	2.63%
6 months	0.28%	0.46%	0.68%	2.61%
9 months	0.38%	0.56%	0.79%	2.61%
1 year	0.44%	0.35%	0.91%	2.76%
2 years	0.61%	0.51%	0.80%	3.14%
3 years	0.79%	0.82%	1.00%	3.43%
5 years	1.23%	1.57%	1.55%	3.80%
7 years	1.60%	2.15%	2.03%	3.99%
10 years	2.01%	2.71%	2.55%	4.13%
15 years	2.39%	3.18%	2.98%	4.21%
20 years	2.50%	3.35%	3.19%	4.10%
30 years	2.51%	3.47%	3.33%	3.88%

The following table shows the fair value of financial assets and liabilities of the Group, as at 30 June 2013:

	30 June 2013				
	At fair value throug profit or loss Euros '000	Available for sale Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	1,735,451	1,735,451	1,735,451
Loans and advances to credit institutions					
Repayable on demand	-	-	1,359,274	1,359,274	1,359,274
Other loans and advances	-	-	1,444,654	1,444,654	1,445,449
Loans and advances to customers	-	-	57,866,204	57,866,204	54,666,938
Financial assets held for trading	1,588,389	-	-	1,588,389	1,588,389
Financial assets available for sale	-	10,300,758	-	10,300,758	10,300,758
Assets with repurchase agreement	-	-	123,942	123,942	123,942
Hedging derivatives	113,460	-	-	113,460	113,460
Held to maturity financial assets	-	-	3,221,629	3,221,629	3,164,595
	1,701,849	10,300,758	65,751,154	77,753,761	74,498,256
Deposits from credit institutions	-	-	14,570,792	14,570,792	14,515,203
Amounts owed to customers	-	-	47,463,829	47,463,829	47,462,400
Debt securities	-	-	10,325,436	10,325,436	10,208,546
Financial liabilities held for trading	1,089,537	-	-	1,089,537	1,089,537
Other financial liabilities held for trading at fair value through profit or loss	720,800	-	-	720,800	720,800
Hedging derivatives	335,579	-	-	335,579	335,579
Subordinated debt	-	-	4,459,149	4,459,149	4,786,034
	2,145,916	-	76,819,206	78,965,122	79,118,099

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2012:

	31 December 2012				
	At fair value throug profit or loss Euros '000	Available for sale Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	3,580,546	3,580,546	3,580,546
Loans and advances to credit institutions					
Repayable on demand	-	-	829,684	829,684	829,684
Other loans and advances	-	-	1,887,389	1,887,389	1,878,694
Loans and advances to customers	-	-	62,618,235	62,618,235	59,624,471
Financial assets held for trading	1,690,926	-	-	1,690,926	1,690,926
Financial assets available for sale	-	9,223,411	-	9,223,411	9,223,411
Assets with repurchase agreement	-	-	4,288	4,288	4,288
Hedging derivatives	186,032	-	-	186,032	186,032
Held to maturity financial assets	-	-	3,568,966	3,568,966	3,435,714
	1,876,958	9,223,411	72,489,108	83,589,477	80,453,766
Deposits from credit institutions	-	-	15,265,760	15,265,760	15,197,616
Amounts owed to customers	-	-	49,389,866	49,389,866	49,372,287
Debt securities	-	-	13,548,263	13,548,263	13,298,116
Financial liabilities held for trading	1,393,194	-	-	1,393,194	1,393,194
Other financial liabilities held for trading at fair value through profit or loss	329,267	-	-	329,267	329,267
Hedging derivatives	301,315	-	-	301,315	301,315
Subordinated debt	-	-	4,298,773	4,298,773	4,661,626
	2,023,776	-	82,502,662	84,526,438	84,553,421

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.

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

The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age of the Complementary Plan. As at 14 December 2012, the ISP (Portuguese Insurance Institute) formally approved this change in the benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made and the individual rights acquired were specifically assigned to the employees. On that date, the Group also performed to the settlement of the related liability, in the amount of Euros 233,457,000.

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

As at 30 June 2013 and 31 December 2012 the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	Jun 2013	Dec 2012
Number of participants		
Pensioners	16,036	15,978
Employees	9,029	9,175
	25,065	25,153

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 2013 Euros '000	Dec 2012 Euros '000
Projected benefit obligations		
Pensioners	1,381,703	1,359,418
Employees	922,793	933,657
	2,304,496	2,293,075
Value of the Pension Fund	(2,417,399)	(2,432,146)
Net (Assets) / Liabilities in balance sheet	(112,903)	(139,071)
Accumulated actuarial losses recognised in Other comprehensive income	2,166,188	2,121,528

The change in the projected benefit obligations during the first semester of 2013 and in the year-end of 2012, is analysed as follows:

	Jun 2013			Dec 2012
	Pension benefit obligations Euros '000	Extra-Fund Euros '000	Total Euros '000	Total Euros '000
Balance as at 1 January	1,993,803	299,272	2,293,075	2,451,997
Service cost	(4,463)	94	(4,369)	(6,539)
Interest costs	44,292	6,478	50,770	118,175
Actuarial (gains) and losses				
Not related to changes in actuarial assumptions	(4,605)	2,633	(1,972)	(17,101)
Arising from changes in actuarial assumptions	-	-	-	89,690
Impact resulting from the change of the calculation of the Death Subsidy (Decree-Law no.13/2013 and Decree-Law no.133/2012)	-	(7,453)	(7,453)	(63,951)
Payments	(25,493)	(11,295)	(36,788)	(66,302)
Transfer to the GSSS	-	-	-	(7,143)
Settlement of the benefit for old-age of the Supplementary Plan	-	-	-	(233,457)
Early retirement programmes	5,947	(22)	5,925	3,025
Contributions of employees	5,136	-	5,136	11,266
Transfer from other plans	172	-	172	13,415
Balance at the end of the period	2,014,789	289,707	2,304,496	2,293,075

The balance Impact resulting from the change of the calculation of the Death subsidy (Decree-Law n. º 13/2013) corresponds as at 30 June, 2013, to the amount of Euros 7,453,000 arising from the change in the calculation method of the death subsidy following the publication on 17 January 2013, of the Decree-Law No. 13/2013 which amends the determination of the amount of that benefit. In 2012 the amount of Euros 63,951,000 was also recognised as a result of the impact of Decree-Law No. 133/2012.

In accordance with IAS 19, it is a negative past service cost which occurs when there are changes on the benefit plan, which impact in a reduction of the current value of the responsibilities for past services. On that basis, the gain should be deferred and amortized throughout the average of the vesting period. Considering that the acquisition conditions of the benefit are fulfilled (vested), since the employee or pensioner has the right to the benefit without having to fulfil any service condition, the Group accounted the referred impact in results for the year.

As at 30 June 2013 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounted to Euros 25,493,000 (31 December 2012: Euros 42,596,000). As at 29 June 2012, it was made the final transfer of the retired employees and pensioners to the GSSS, in accordance with the Decree-Law no. 127/2011, which had an increase of Euros 7,143,000 due to the change in the population.

The liabilities with health benefits are fully covered by the Pension Fund and correspond, at the end of the first semester of 2013, to the amount of Euros 264,805,000 (31 December 2012: Euros 264,163,000).

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 2013 amounts to Euros 82,427,000 (31 December 2012: Euros 86,231,000), in order to pay:

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

ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006. As at 30 June 2013 the number of beneficiaries was 69.

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

The evolution of responsibilities and funds balances and gains experience for the last 5 years is analysed as follows:

	jun 2013	dec 2012	dec 2011	dec 2010	dec 2009
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Projected benefit obligations					
Pensioners	1,381,703	1,359,418	1,336,421	4,064,052	4,197,436
Employees	922,793	933,657	1,115,576	1,257,546	1,212,446
	2,304,496	2,293,075	2,451,997	5,321,598	5,409,882
Value of the Pension Fund	(2,417,399)	(2,432,146)	(2,361,522)	(5,148,707)	(5,530,471)
Liabilities not financed by the Pension Fund	(112,903)	(139,071)	90,475	172,891	(120,589)
Losses / (gains) arising from liabilities	(1,972)	72,589	(115,062)	(120,426)	(368,353)
Losses / (gains) arising from funds	46,632	91,602	315,759	588,322	(188,354)

The change in the value of plan's assets during the first semester of 2013 and in the year-end of 2012, is analysed as follows:

	jun 2013	Dec 2012
	Euros '000	Euros '000
Balance as at 1 January	2,432,146	2,361,522
Expected return on plan assets	51,432	111,742
Actuarial gains and (losses)	(46,632)	(91,602)
Settlement of the benefit for old-age of the Supplementary Plan	-	(233,457)
Contributions to the Fund	-	300,871
Payments	(25,493)	(42,596)
Transfer to the ‘GSSS’	-	(7,143)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	638	8,128
Contributions of employees	5,136	11,266
Transfer from other plans	172	13,415
Balance at the end of the period	2,417,399	2,432,146

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

	jun 2013	Dec 2012
	Euros '000	Euros '000
Shares	628,064	670,061
Bonds and other fixed income securities	633,414	490,299
Participation units in real estate funds	269,736	270,075
Participations units in investment funds	289,520	288,966
Properties	355,900	355,876
Loans and advances to credit institutions and others	240,765	356,869
	2,417,399	2,432,146

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 30 June 2013, amounts to Euros 354,109,000 (31 December 2012: Euros 354,134,000).

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

	jun 2013 Euros '000	Dec 2012 Euros '000
Fixed income securities	7	7
Variable income securities	143,454	141,941
	143,461	141,948

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Balance as at 1 January	(139,071)	90,475
Service cost	(4,369)	(6,539)
Interest cost / (income)	(662)	6,433
Cost with early retirement programs	5,925	3,025
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Return of the fund	46,632	91,602
Difference between the expect and the effective obligations	(1,972)	(17,101)
Arising from changes in actuarial assumptions	-	89,690
Impact of the decrease of the changing of the calculation formula of the Death Subsidy DL 13/2013 and 133/2012	(7,453)	(63,951)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(638)	(8,128)
Contributions to the fund	-	(300,871)
Payments	(11,295)	(23,706)
Balance at the end of the period	(112,903)	(139,071)

The contributions to the Pension Fund, made by the Group's companies, are analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Cash	-	300,000
Other securities	-	871
	-	300,871

In accordance with IAS 19, as at 30 June 2013, the Group accounted as post-employment benefits an income of Euros 7,197,000 (30 June 2012: income of Euros 60,120,000), which is analysed as follows:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Service cost	(4,369)	(3,004)
Interest cost / (income)	(662)	4,167
Costs with early retirement programs	5,925	2,668
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(638)	-
Impact of the decrease of the changing of the calculation formula of the Death Subsidy DL 13/2013 and 133/2012	(7,453)	(63,951)
(Income) / Cost of the period	(7,197)	(60,120)

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

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

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

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 4,413,000 (31 December 2012: Euros 4,413,000). During the first semester of 2013 there was no change in this provision.

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

The 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 2013	Dec 2012
	Euros '000	Euros '000
Balance as at 1 January	4,413	5,504
Write-back	-	(1,091)
Balance at the end of the period	4,413	4,413

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 2013 and 31 December 2012:

	Jun 2013	Dec 2012
Increase in future compensation levels	1% until 2016 1.75% after 2017	1% until 2016 1.75% after 2017
Rate of pensions increase	0% until 2016 0.75% after 2017	0% until 2016 0.75% after 2017
Projected rate of return of fund assets	4.50%	4.50%
Discount rate	4.50%	4.50%
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 determination of the discount rate as at 30 June 2013, took into account (i) the evolution in the major indexes in relation to high quality corporate bonds and (ii) duration of benefit plan liabilities.

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

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

However, the estimated expected return for 2013, based on the portfolio as at 30 June 2013, is as follows:

	2013	
Asset class	Portfolio %	Estimated return
Shares	25.98%	4.30%
Bonds and other fixed income securities	26.20%	3.50%
Participations units in investment funds	11.16%	5.04%
Participation units in real estate funds	11.98%	0.61%
Properties	14.72%	6.55%
Loans and advances to credit institutions and others	9.96%	3.50%
Total income expected		3.98%

Net actuarial losses amounts to Euros 44,660,000 (31 December 2012: actuarial losses of Euros 164,191,000) and are related to the difference between the actuarial assumptions used for the estimation of the pension liabilities and the actual liabilities and are analysed as follows:

	Actuarial (gains) / losses			
	Jun 2013		Dec 2012	
	%	Euros '000	%	Euros '000
Deviation between				
expected and actual liabilities:				
Increase in future compensation levels	0.00%	(5,578)	0.00%	(17,642)
Pensions increase rate	0.00%	-	0.00%	(13,364)
Disability	0.16%	3,780	0.58%	12,892
Others	-0.01%	(174)	0.05%	1,011
Changes on the assumptions:				
Discount rate	0.00%	-	4.50%	333,867
Increase in future compensation levels	1% until 2016 1.75% after 2017	-	1% until 2016 1.75% after 2017	(53,295)
Pensions increase rate	0% until 2016 0.75% after 2017	-	0% until 2016 0.75% after 2017	(190,880)
Return on Plan assets	0.63%	46,632	1.62%	91,602
		44,660		164,191

Health benefit costs have a significant impact on pension costs. Considering this impact the Group performed a sensitivity analysis assuming one percent positive variation in health benefit costs (from 6.5% to 7.5% at the end of the first semester of 2013) and a negative variation (from 6.5% to 5.5% at the end of the first semester of 2013) 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 2013 Euros '000	dez 2012 Euros '000	jun 2013 Euros '000	dez 2012 Euros '000
Pension cost impact	427	433	(427)	(433)
Liability impact	40,739	41,443	(40,739)	(41,443)

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, 2013, the liabilities associated with the seniority premium amounted to Euros 50,162,000 (31 December, 2012: 49,562,000 Euros) and are covered by provisions in the same amount, according to the note 41.

The cost of the seniority premium, for the first semester of 2013 and 2012, is analysed as follows:

	Jun 2013	Jun 2012
	Euros '000	Euros '000
Service cost	1,328	1,461
Interest costs	1,061	1,382
Actuarial gains and losses	896	143
Cost of the year	3,285	2,986

51. Related parties

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

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

As at 30 June 2013, loans to members of the Executive Committee of the Board of Directors and their direct family members amounted to Euros 135,521 (31 December 2012: Euros 304,000), which represented 0.00% of shareholders' equity (31 December 2012: 0.01%). These loans were granted in accordance with the applicable laws and regulations.

As at 30 June 2013, 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 34.7% of the share capital as at 30 June 2013 (31 December 2012: 36.8%), described in the Board of Directors report, amounted to approximately Euros 787,752,000 (31 December 2012: Euros 1,093,159,000). 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.

Transactions with the Pension Fund

During the first semester of 2013, the Group sold to the Pension Fund, Portuguese public debt securities in the amount of Euros 75,000,000 (31 December 2012: Euros 342,500,000). During 2012, the Group also sold to the Pension Fund commercial paper in the amount of Euros 706,700,000 and bonds in the amount of Euros 213,000,000.

Additionally, during the first semester of 2013, the Group purchased to the Pension Fund, Portuguese public debt securities in the amount of Euros 25,000,000 (31 December 2012: Euros 343,000,000). During 2012, the Group also purchased to the Pension Fund commercial paper in the amount of Euros 188,450,000 and bonds in the amount of Euros 262,334,000.

During 2012 were made in-kind contributions to the Pension Fund in the amount of Euros 871,000 related to Brisal rights.

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

Shareholders / Bondholders	Security	Number of securities at 30/06/2013	Number of securities at 31/12/2012	Changes during 2013 Acquisitions	Changes during 2013 Disposals	Changes during 2013 Date	Changes during 2013 Unit Price Euros
Members of Executive Board							
António Vítor Martins Monteiro	BCP Shares	6,589	6,589				
Carlos José da Silva	BCP Shares	414,089	414,089				
	Obrig BCP Ret Sem Cresc III/12EUR 3/2013	300	300				
Nuno Manuel da Silva Amado	BCP Shares	1,003,297	1,003,297				
André Magalhães Luiz Gomes	BCP Shares	19,437	19,437				
António Henriques Pinho Cardão	BCP Shares	281,034	281,034				
António Luís Guerra Nunes Mexia	BCP Shares	4,120	4,120				
Jaime de Macedo Santos Bastos	BCP Shares	1,468	1,468				
João Manuel Matos Loureiro	BCP Shares	4,793	4,793				
José Guilherme Xavier de Basto	BCP Shares	4,951	4,951				
	Obrig BCP Mill Rend Sem Mar 10/13	5	5				
José Jacinto Iglésias Soares	BCP Shares	384,002	384,002				
Luís Maria França de Castro Pereira Coutinho	BCP Shares	822,123	822,123				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	100,001	100,001				
Miguel de Campos Pereira de Bragança	BCP Shares	623,813	623,813				
Miguel Maya Dias Pinheiro	BCP Shares	601,733	601,733				
Rui Manuel da Silva Teixeira	BCP Shares	134,687	134,687				
Directors							
Ana Isabel dos Santos de Pina Cabral	BCP Shares	74,550	74,550				
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	82,031	82,031				
Fernando Manuel Majer de Faria	BCP Shares	624,219	624,219				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	20,879	20,879				
Mário António Pinho Gaspar Neves	BCP Shares	31,500	31,500				
	Obrig BCP Mill Rend Trim Nov 09/14	5	5				
	Obrig BCP Mill Rend Sem Mar 10/13	7	7				
Pedro Manuel Rendas Duarte Turras	BCP Shares	25,207	25,207				
Persons closely related to the previous categories							
Isabel Maria V Leite P Martins Monteiro	BCP Shares	5,311	5,311				
Maria da Graça dos Santos Fernandes de Pinho Cardão	BCP Shares	10,485	10,485				
Maria Helena Espassandim Catão	BCP Shares	1,000	1,000				
José Manuel de Vasconcelos Mendes Ferreira	BCP Shares	4,577	4,577				

As at 30 June 2013 and 31 December 2012, the Group's credits over associated companies represented or not by securities, included in the captions of Loans and advances to customers and Other receivables, are analysed as follows:

	Jun 2013			Dec 2012		
	Loans and advances to Customers Euros '000	Other receivables Euros '000	Total Euros '000	Loans and advances to Customers Euros '000	Other receivables Euros '000	Total Euros '000
Millenniumbcp Ageas Group	559	18,223	18,782	-	9,283	9,283
Unicre - Instituição Financeira de Crédito, S.A.	315	-	315	683	-	683
VSC - Aluguer de Veículos Sem Condutor, Lda.	9,530	36	9,566	20,685	-	20,685
	10,404	18,259	28,663	21,368	9,283	30,651

As at 30 June 2013 and 31 December 2012 the Group's liabilities with associated companies, represented or not by securities, included in the captions Deposits from customers and Debt securities issued, are analysed as follows:

	Jun 2013			Dec 2012		
	Deposits from Customers Euros '000	Debt Securities Issued Euros '000	Total Euros '000	Deposits from Customers Euros '000	Debt Securities Issued Euros '000	Total Euros '000
Millenniumbcp Ageas Group	1,070,786	3,480,437	4,551,223	650,998	3,684,225	4,335,223
SIBS, S.G.P.S, S.A.	5,393	-	5,393	1	-	1
Unicre - Instituição Financeira de Crédito, S.A.	108	-	108	212	-	212
	1,076,287	3,480,437	4,556,724	651,211	3,684,225	4,335,436

As at 30 June 2013, the income recognised by the Group on inter-company transactions with associated companies, included in the captions of Interest income, Commissions and Other operating income, are analysed as follows:

	Interest income Euros '000	Commissions income Euros '000	Other operating income Euros '000	Total Euros '000
Millenniumbcp Ageas Group	15	39,155	5,022	44,192
SIBS, S.G.P.S, S.A.	5	40,980	-	40,985
Unicre - Instituição Financeira de Crédito, S.A.	129	502	-	631
VSC - Aluguer de Veículos Sem Condutor, Lda.	476	23	93	592
	625	80,660	5,115	86,400

As at 30 June 2013, the costs incurred by the Group on inter-company transactions with associated companies, included in the captions Interest expense, Commissions and Administrative costs, are analysed as follows:

	Interest expense Euros '000	Commissions expense Euros '000	Staff costs Euros '000	Administrative costs Euros '000	Total Euros '000
Millenniumbcp Ageas Group	59,663	-	1,564	4,986	66,213
SIBS, S.G.P.S, S.A.	12	25,121	-	4,321	29,454
VSC - Aluguer de Veículos Sem Condutor, Lda.	108	-	-	-	108
	59,783	25,121	1,564	9,307	95,775

As at 30 June 2013 and 31 December 2012, the remunerations resulting from the services of insurance mediation or reinsurance are as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Life insurance		
Saving products	16,598	23,137
Mortgage and consumer loans	9,669	17,877
Others	16	34
	26,283	41,048
Non - Life insurance		
Accidents and illness	6,541	12,237
Automobile insurance	1,096	1,811
Multi-Risk Housing	2,247	4,382
Others	519	1,026
	10,403	19,456
	36,686	60,504

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

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

As at 30 June 2013 and 31 December 2012, the receivable balances from insurance mediation activity by nature and entity are analysed as follows:

	Jun 2013 Euros '000	Dec 2012 Euros '000
By nature		
Funds receivable for payment of life insurance commissions	12,934	2,572
Funds receivable for payment of non-life insurance commissions	4,935	4,795
	17,869	7,367
By entity		
Ocidental - Companhia Portuguesa de Seguros de Vida, SA	12,934	2,572
Ocidental - Companhia Portuguesa de Seguros, SA	4,935	4,795
	17,869	7,367

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

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

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 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; and (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 Euros 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, 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 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.

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. Following the request submitted by the Bank, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the activity in Portugal as from 31 December 2010. In the scope of the Roll-Out Plan for the calculation of capital requirements for credit and counterparty risk, the Bank of Portugal authorised the extension of that methodology to the subclasses of risk “Renewable Retail Positions” and “Other Retail Positions” in Portugal with effect as from 31 December 2011. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk “Corporates” in Portugal and the adoption of IRB methodologies for “Loans secured by residential real estate” and “Renewable positions” of the Retail portfolio in Poland.

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 2012 and in the first semester of 2013, resulted from the application of 10% to the risks managed by each segment. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

Operating costs determined for each business area rely on one hand 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 the first semester of 2012 is presented on a comparable basis with the information related to the first semester of 2013, reflecting the current organisational structure of the Group's business areas referred to in the Segment description described above, and considering the effect of the transfer of clients.

The 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 2013.

The Group operates with special emphasis in the Portuguese market, and also in a few affinity markets and in markets of recognised growth potential. Considering this, the geographical segments include Portugal, Poland, Mozambique, Angola and Other. The segment Portugal reflects, essentially, the activities carried out by Banco Comercial Português in Portugal, ActivoBank and Banco de Investimento Imobiliário. The segment Poland includes the business carried out by Bank Millennium (Poland); while the segment Mozambique contains the activity of BIM - Banco Internacional de Moçambique and the segment Angola contains the activity of Banco Millennium Angola. The segment Other, indicated within the geographical segment reporting, comprises the Group’s operations not included in the remaining segments, namely the activities developed in other countries, such as Banque Privée BCP in Switzerland, Banca Millennium in Romania and Millennium bcp Bank & Trust in the Cayman Islands.

Following the conclusion on 19 June 2013 of the sale of the entire share capital of Millennium bank in Greece, in accordance with the general conditions announced, and according to IFRS 5, Millennium bank in Greece is now classified as a discontinued operation, with the impact on results presented on a separate line item in the profit and loss account, defined as income arising from discontinued operations for comparison, the income statement was restated as at 30 June 2013. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Greece were not included as at 30 June 2013, but remained in the criteria considered as at 30 June 2012.

As at 30 June, 2013, the net contribution of the major business segments is analysed as follows:

	Commercial Banking			Companies Banking					
	Retail in Portugal	Foreign Business (***)	Total	Companies in Portugal	Corporate and Investment Banking in Portugal	Total	Asset Management and Private Banking	Other	Consolidated
Income statement									
Interest income	323,931	481,305	805,236	177,726	441,548	619,274	66,562	(37,716)	1,453,356
Interest expense	(265,843)	(248,943)	(514,786)	(93,503)	(313,219)	(406,722)	(43,489)	(100,263)	(1,065,260)
Net interest income	58,088	232,362	290,450	84,223	128,329	212,552	23,073	(137,979)	388,096
Commissions and other income	194,144	157,768	351,912	41,093	81,272	122,365	31,187	(2,062)	503,402
Commissions and other costs	(6,796)	(44,759)	(51,555)	(1,905)	(6,546)	(8,451)	(7,316)	(110,885)	(178,207)
Net commissions and other income	187,348	113,009	300,357	39,188	74,726	113,914	23,871	(112,947)	325,195
Net gains arising from trading activity	(6)	56,388	56,382	-	1,557	1,557	879	(2,036)	56,782
Staff costs and administrative costs	252,119	210,282	462,401	30,923	32,050	62,973	19,421	32,984	577,779
Depreciations	998	16,350	17,348	127	63	190	146	16,786	34,470
Operating costs	253,117	226,632	479,749	31,050	32,113	63,163	19,567	49,770	612,249
Impairment and provisions	(87,193)	(40,515)	(127,708)	(139,518)	(275,931)	(415,449)	(5,914)	(162,033)	(711,104)
Share of profit of associates under the equity method	-	-	-	-	-	-	-	30,643	30,643
Net gain from the sale of other assets	-	7,135	7,135	-	-	-	-	(17,050)	(9,915)
Net income before income tax	(94,880)	141,747	46,867	(47,157)	(103,432)	(150,589)	22,342	(451,172)	(532,552)
Income tax	27,344	(28,433)	(1,089)	13,701	29,995	43,696	(4,073)	91,525	130,059
Income after income tax from continuing operations	(67,536)	113,314	45,778	(33,456)	(73,437)	(106,893)	18,269	(359,647)	(402,493)
Income arising from discontinued operations	-	(41,739)	(41,739)	-	-	-	-	-	(41,739)
Net (loss) / income after income tax	(67,536)	71,575	4,039	(33,456)	(73,437)	(106,893)	18,269	(359,647)	(444,232)
Non-controlling interests	-	(42,153)	(42,153)	-	-	-	-	(1,834)	(43,987)
Net (loss) / income after income tax	(67,536)	29,422	(38,114)	(33,456)	(73,437)	(106,893)	18,269	(361,481)	(488,219)
Income between segments	4,801	-	4,801	(1,832)	(790)	(2,622)	(2,179)	-	-
Balance sheet									
Cash and Loans and advances to credit institutions	2,515,894	1,815,988	4,331,882	1,242,443	12,464,991	13,707,434	2,653,179	(16,153,116)	4,539,379
Loans and advances to customers	25,326,498	11,689,597	37,016,095	9,193,782	12,871,681	22,065,463	1,083,693	(2,299,047)	57,866,204
Financial assets (*)	179,875	3,029,742	3,209,617	-	6,606,856	6,606,856	23,061	5,384,702	15,224,236
Other assets	92,593	701,982	794,575	9,956	373,612	383,568	22,576	5,113,038	6,313,757
Total Assets	28,114,860	17,237,309	45,352,169	10,446,181	32,317,140	42,763,321	3,782,509	(7,954,423)	83,943,576
Deposits from other credit institutions	5,512,242	1,947,136	7,459,378	6,415,518	11,903,084	18,318,602	947,622	(12,154,810)	14,570,792
Deposits from customers	20,542,586	13,177,687	33,720,273	1,592,774	8,654,185	10,246,959	2,631,725	864,872	47,463,829
Debt securities issued	872,425	203,247	1,075,672	1,284,972	8,420,003	9,704,975	11,158	(466,369)	10,325,436
Other financial liabilities held for trading at fair value through profit or loss	130,247	188,578	318,825	191,838	1,257,050	1,448,888	21,771	20,853	1,810,337
Other financial liabilities (**)	82,417	428,109	510,526	90,298	190,777	281,075	15,539	3,987,588	4,794,728
Other liabilities	190,292	341,108	531,400	11,099	146,252	157,351	6,751	866,426	1,561,928
Total Liabilities	27,330,209	16,285,865	43,616,074	9,586,499	30,571,351	40,157,850	3,634,566	(6,881,440)	80,527,050
Equity and non-controlling interests	784,651	951,444	1,736,095	859,682	1,745,789	2,605,471	147,943	(1,072,983)	3,416,526
Total Liabilities, Equity and non-controlling interests	28,114,860	17,237,309	45,352,169	10,446,181	32,317,140	42,763,321	3,782,509	(7,954,423)	83,943,576

(*) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale and hedging derivatives;
(**) Includes subordinated liabilities and hedging derivatives;
(***) The Foreign Business segment includes the Millennium Bank in Greece which is now classified as a discontinued operation. The impact on results is presented on a separate line called Income arising from discontinued operations. As at 30 June 2013, the assets and liabilities are no longer presented in the balance sheet, maintaining the criterion considered in previous periods.

As at 30 June, 2012, the net contribution of the major business segments is analysed as follows:

	Commercial Banking			Companies Banking					
	Retail in Portugal	Foreign Business (***)	Total	Companies in Portugal	Corporate and Investment Banking in Portugal	Total	Asset Management and Private Banking	Other	Consolidated
Income statement									
Interest income	485,865	537,043	1,022,908	256,577	473,806	730,383	115,223	(33,913)	1,834,601
Interest expense	(346,701)	(291,625)	(638,326)	(131,627)	(313,749)	(445,376)	(86,537)	(82,294)	(1,252,533)
Net interest income	139,164	245,418	384,582	124,950	160,057	285,007	28,686	(116,207)	582,068
Commissions and other income	195,590	136,493	332,083	45,683	108,545	154,228	27,374	(24,712)	488,973
Commissions and other costs	(7,582)	(35,821)	(43,403)	(1,598)	(5,375)	(6,973)	(8,035)	(107,592)	(166,003)
Net commissions and other income	188,008	100,672	288,680	44,085	103,170	147,255	19,339	(132,304)	322,970
Net gains arising from trading activity	(1)	51,342	51,341	-	(8,853)	(8,853)	582	264,330	307,400
Staff costs and administrative costs	309,990	214,496	524,486	32,863	37,992	70,855	25,277	(32,628)	587,990
Depreciations	872	16,922	17,794	134	65	199	216	20,143	38,352
Operating costs	310,862	231,418	542,280	32,997	38,057	71,054	25,493	(12,485)	626,342
Impairment and provisions	(71,077)	(39,403)	(110,480)	(152,642)	(239,627)	(392,269)	(1,445)	(69,358)	(573,552)
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	-	-	-	-	-	-	-	(10,727)	(10,727)
Net income before income tax	(54,768)	128,286	73,518	(16,604)	(23,339)	(39,943)	21,669	(23,184)	32,060
Income tax	15,695	(24,648)	(8,953)	4,829	6,768	11,597	(4,931)	(17,855)	(20,142)
Income after income tax from continuing operations	(39,073)	103,638	64,565	(11,775)	(16,571)	(28,346)	16,738	(41,039)	11,918
Income arising from discontinued operations	-	(516,707)	(516,707)	-	-	-	-	-	(516,707)
Net (loss) / income after income tax	(39,073)	(413,069)	(452,142)	(11,775)	(16,571)	(28,346)	16,738	(41,039)	(504,789)
Non-controlling interests	-	(39,736)	(39,736)	-	-	-	-	246	(39,490)
Net (loss) / income after income tax	(39,073)	(452,805)	(491,878)	(11,775)	(16,571)	(28,346)	16,738	(40,793)	(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	2,363,503	2,151,703	4,515,206	1,113,742	10,395,622	11,509,364	4,196,381	(12,070,577)	8,150,374
Loans and advances to customers	27,292,319	15,997,550	43,289,869	10,280,745	13,856,198	24,136,943	1,424,312	(2,648,658)	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	110,226	766,988	877,214	12,125	82,622	94,747	22,253	4,558,555	5,552,769
Total Assets	29,767,826	21,192,940	50,960,766	11,406,612	30,658,060	42,064,672	5,679,015	(5,705,264)	92,999,189
Deposits from other credit institutions	5,168,484	2,950,339	8,118,823	5,000,219	11,642,719	16,642,938	2,199,596	(9,165,562)	17,795,795
Deposits from customers	19,340,599	14,602,602	33,943,201	1,753,827	7,666,474	9,420,301	3,109,580	1,501,172	47,974,254
Debt securities issued	3,238,257	318,057	3,556,314	3,349,251	7,932,859	11,282,110	37,619	(155,473)	14,720,570
Other financial liabilities held for trading at fair value through profit or loss	325,525	212,373	537,898	336,683	797,449	1,134,132	37,535	37,057	1,746,622
Other financial liabilities (**)	13,914	399,423	413,337	12,442	30,192	42,634	3,404	4,138,447	4,597,822
Other liabilities	683,533	1,797,124	2,480,657	62,262	694,896	757,158	47,267	(1,067,108)	2,217,974
Total Liabilities	28,770,312	20,279,918	49,050,230	10,514,684	28,764,589	39,279,273	5,435,001	(4,711,467)	89,053,037
Equity and non-controlling interests	997,514	913,022	1,910,536	891,928	1,893,471	2,785,399	244,014	(993,797)	3,946,152
Total Liabilities, Equity and non-controlling interests	29,767,826	21,192,940	50,960,766	11,406,612	30,658,060	42,064,672	5,679,015	(5,705,264)	92,999,189

(*) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale and hedging derivatives;
(**) Includes subordinated liabilities and hedging derivatives;
(***) The Foreign Business segment includes the Millennium Bank in Greece which is now classified as a discontinued operation. The impact on results is presented on a separate line called Income arising from discontinued operations. In terms of balance, there was no change, maintaining the criterion considered in previous periods.

As at 30 June, 2013, the net contribution of the major geographic segments is analysed as follows:

	Portugal											
	Retail Banking	**Companies**	**Asset Management and Private Banking**	**Corporate and Investment Banking**	**Other**	**Total**	**Poland**	**Greece (***)**	**Angola**	**Mozambique**	**Other**	**Consolidated**
Income statement												
Interest income	323,931	177,726	44,404	441,548	(37,716)	949,893	331,310	-	44,533	87,861	39,759	1,453,356
Interest expense	(265,843)	(93,503)	(32,301)	(313,219)	(100,263)	(805,129)	(199,493)	-	(11,670)	(28,824)	(20,144)	(1,065,260)
Net interest income	58,088	84,223	12,103	128,329	(137,979)	144,764	131,817	-	32,863	59,037	19,615	388,096
Commissions and other income	194,144	41,093	17,833	81,272	(2,062)	332,280	91,840	-	16,435	45,868	16,979	503,402
Commissions and other costs	(6,796)	(1,905)	(4,381)	(6,546)	(110,885)	(130,513)	(22,562)	-	(2,014)	(19,293)	(3,825)	(178,207)
Net commissions and other income	187,348	39,188	13,452	74,726	(112,947)	201,767	69,278	-	14,421	26,575	13,154	325,195
Net gains arising from trading activity	(6)	-	-	1,557	(2,036)	(485)	28,037	-	14,931	11,137	3,162	56,782
Staff costs and administrative costs	252,119	30,923	9,327	32,050	32,984	357,403	123,033	-	31,658	41,599	24,086	577,779
Depreciations	998	127	2	63	16,786	17,976	6,873	-	3,713	4,624	1,284	34,470
Operating costs	253,117	31,050	9,329	32,113	49,770	375,379	129,906	-	35,371	46,223	25,370	612,249
Impairment and provisions	(87,193)	(139,518)	(5,922)	(275,931)	(162,033)	(670,597)	(27,185)	-	(3,203)	(7,364)	(2,755)	(711,104)
Share of profit of associates under the equity method	-	-	-	-	30,643	30,643	-	-	-	-	-	30,643
Net gain from the sale of other assets	-	-	-	-	(17,050)	(17,050)	1,535	-	27	5,573	-	(9,915)
Net income before income tax	(94,880)	(47,157)	10,304	(103,432)	(451,172)	(686,337)	73,576	-	23,668	48,735	7,806	(532,552)
Income tax	27,344	13,701	(2,903)	29,995	91,525	159,662	(14,932)	-	(5,674)	(8,428)	(569)	130,059
Income after income tax from continuing operations	(67,536)	(33,456)	7,401	(73,437)	(359,647)	(526,675)	58,644	-	17,994	40,307	7,237	(402,493)
Income arising from discontinued operations	-	-	-	-	-	-	-	(41,739)	-	-	-	(41,739)
Net (loss) / income after income tax	(67,536)	(33,456)	7,401	(73,437)	(359,647)	(526,675)	58,644	(41,739)	17,994	40,307	7,237	(444,232)
Non-controlling interests	-	-	-	-	(1,834)	(1,834)	(20,226)	-	(8,505)	(13,422)	-	(43,987)
Net income after income tax	(67,536)	(33,456)	7,401	(73,437)	(361,481)	(528,509)	38,418	(41,739)	9,489	26,885	7,237	(488,219)
Income between segments	4,801	(1,832)	(2,179)	(790)	-	-	-	-	-	-	-	-
Balance sheet												
Cash and Loans and advances to credit institutions	2,515,894	1,242,443	1,094,048	12,464,991	(16,153,116)	1,164,260	920,510	-	394,690	410,788	1,649,131	4,539,379
Loans and advances to customers	25,326,498	9,193,782	774,379	12,871,681	(2,299,047)	45,867,293	9,632,441	-	505,669	1,114,448	746,353	57,866,204
Financial assets (*)	179,875	-	1,613	6,606,856	5,384,702	12,173,046	2,274,800	-	297,404	358,977	120,009	15,224,236
Other assets	92,593	9,956	4,744	373,612	5,113,038	5,593,943	322,262	-	183,768	170,652	43,132	6,313,757
Total Assets	28,114,860	10,446,181	1,874,784	32,317,140	(7,954,423)	64,798,542	13,150,013	-	1,381,531	2,054,865	2,558,625	83,943,576
Deposits from other credit institutions	5,512,242	6,415,518	147,522	11,903,084	(12,154,810)	11,823,556	1,270,919	-	250,726	176,670	1,048,921	14,570,792
Deposits from customers	20,542,586	1,592,774	1,664,200	8,654,185	864,872	33,318,617	10,311,231	-	970,419	1,544,850	1,318,712	47,463,829
Debt securities issued	872,425	1,284,972	11,158	8,420,003	(466,369)	10,122,189	176,895	-	-	26,352	-	10,325,436
Other financial liabilities held for trading at fair value through profit or loss	130,247	191,838	1,666	1,257,050	20,853	1,601,654	187,862	-	-	-	20,821	1,810,337
Other financial liabilities (**)	82,417	90,298	4,415	190,777	3,987,588	4,355,495	392,359	-	11,511	16,853	18,510	4,794,728
Other liabilities	190,292	11,099	3,783	146,252	866,426	1,217,852	169,047	-	39,287	129,686	6,056	1,561,928
Total Liabilities	27,330,209	9,586,499	1,832,744	30,571,351	(6,881,440)	62,439,363	12,508,313	-	1,271,943	1,894,411	2,413,020	80,527,050
Equity and non-controlling interests	784,651	859,682	42,040	1,745,789	(1,072,983)	2,359,179	641,700	-	109,588	160,454	145,605	3,416,526
Total Liabilities, Equity and non-controlling interests	28,114,860	10,446,181	1,874,784	32,317,140	(7,954,423)	64,798,542	13,150,013	-	1,381,531	2,054,865	2,558,625	83,943,576

(*) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale and hedging derivatives;
(**) Includes subordinated liabilities and hedging derivatives;
(***) The Millennium Bank in Greece is now classified as a discontinued operation, and the impact on results is presented on a separate line called Income arising from discontinued operations. As at 30 June 2013, the assets and liabilities are no longer presented in the balance sheet, maintaining the criterion considered in previous periods.

As at 30 June, 2012, the net contribution of the major geographic segments is analysed as follows:

	Portugal											
	Retail Banking	**Companies**	**Asset Management and Private Banking**	**Corporate and Investment Banking**	**Other**	**Total**	**Poland**	**Greece (***)**	**Angola**	**Mozambique**	**Other**	**Consolidated**
Income statement												
Interest income	485,865	256,577	81,112	473,806	(33,913)	1,263,447	361,557	-	49,335	109,660	50,602	1,834,601
Interest expense	(346,701)	(131,627)	(61,201)	(313,749)	(82,294)	(935,572)	(226,770)	-	(15,664)	(38,881)	(35,646)	(1,252,533)
Net interest income	139,164	124,950	19,911	160,057	(116,207)	327,875	134,787	-	33,671	70,779	14,956	582,068
Commissions and other income	195,590	45,683	17,141	108,545	(24,712)	342,247	86,019	-	12,139	35,112	13,456	488,973
Commissions and other costs	(7,582)	(1,598)	(4,767)	(5,375)	(107,592)	(126,914)	(21,357)	-	(1,351)	(12,243)	(4,138)	(166,003)
Net commissions and other income	188,008	44,085	12,374	103,170	(132,304)	215,333	64,662	-	10,788	22,869	9,318	322,970
Net gains arising from trading activity	(1)	-	-	(8,853)	264,330	255,476	18,612	-	15,011	16,279	2,022	307,400
Staff costs and administrative costs	309,990	32,863	14,358	37,992	(32,628)	362,575	124,402	-	31,268	43,425	26,320	587,990
Depreciations	872	134	2	65	20,143	21,216	6,667	-	4,575	4,344	1,550	38,352
Operating costs	310,862	32,997	14,360	38,057	(12,485)	383,791	131,069	-	35,843	47,769	27,870	626,342
Impairment and provisions	(71,077)	(152,642)	(1,665)	(239,627)	(69,358)	(534,369)	(26,482)	-	(3,675)	(7,893)	(1,133)	(573,552)
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	-	-	-	-	(10,727)	(10,727)	-	-	-	-	-	(10,727)
Net income before income tax	(54,768)	(16,604)	16,260	(23,339)	(23,184)	(101,635)	61,336	-	19,952	55,114	(2,707)	32,060
Income tax	15,695	4,829	(4,598)	6,768	(17,855)	4,839	(12,881)	-	(3,247)	(9,683)	830	(20,142)
Income after income tax from continuing operations	(39,073)	(11,775)	11,662	(16,571)	(41,039)	(96,796)	48,455	-	16,705	45,431	(1,877)	11,918
Income arising from discontinued operations	-	-	-	-	-	-	-	(516,707)	-	-	-	(516,707)
Net (loss) / income after income tax	(39,073)	(11,775)	11,662	(16,571)	(41,039)	(96,796)	48,455	(516,707)	16,705	45,431	(1,877)	(504,789)
Non-controlling interests	-	-	-	-	246	246	(16,712)	-	(7,895)	(15,129)	-	(39,490)
Net income after income tax	(39,073)	(11,775)	11,662	(16,571)	(40,793)	(96,550)	31,743	(516,707)	8,810	30,302	(1,877)	(544,279)
Income between segments	17,283	(3,020)	(2,236)	(12,027)	-	-	-	-	-	-	-	-
Balance sheet												
Cash and Loans and advances to credit institutions	2,363,503	1,113,742	1,403,432	10,395,622	(12,070,577)	3,205,722	967,979	300,442	386,530	410,361	2,879,340	8,150,374
Loans and advances to customers	27,292,319	10,280,745	909,168	13,856,198	(2,648,658)	49,689,772	9,627,956	4,529,910	505,891	958,554	890,383	66,202,466
Financial assets (*)	1,778	-	1,674	6,323,618	4,455,416	10,782,486	1,300,127	175,907	369,583	362,568	102,909	13,093,580
Other assets	110,226	12,125	5,644	82,622	4,558,555	4,769,172	199,033	225,539	167,119	144,686	47,220	5,552,769
Total Assets	29,767,826	11,406,612	2,319,918	30,658,060	(5,705,264)	68,447,152	12,095,095	5,231,798	1,429,123	1,876,169	3,919,852	92,999,189
Deposits from other credit institutions	5,168,484	5,000,219	116,675	11,642,719	(9,165,562)	12,762,535	1,102,491	1,123,578	385,956	163,706	2,257,529	17,795,795
Deposits from customers	19,340,599	1,753,827	2,026,588	7,666,474	1,501,172	32,288,660	9,435,288	2,622,045	871,699	1,374,555	1,382,007	47,974,254
Debt securities issued	3,238,257	3,349,251	37,619	7,932,859	(155,473)	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	325,525	336,683	3,782	797,449	37,057	1,500,496	115,749	94,845	-	-	35,532	1,746,622
Other financial liabilities (**)	13,914	12,442	1,110	30,192	4,138,447	4,196,105	389,329	1,865	1,485	1,930	7,108	4,597,822
Other liabilities	683,533	62,262	54,558	694,896	(1,067,108)	428,141	258,323	1,259,960	63,489	168,350	39,711	2,217,974
Total Liabilities	28,770,312	10,514,684	2,240,332	28,764,589	(4,711,467)	65,578,450	11,460,115	5,232,165	1,322,629	1,737,791	3,721,887	89,053,037
Equity and non-controlling interests	997,514	891,928	79,586	1,893,471	(993,797)	2,868,702	634,980	(367)	106,494	138,378	197,965	3,946,152
Total Liabilities, Equity and non-controlling interests	29,767,826	11,406,612	2,319,918	30,658,060	(5,705,264)	68,447,152	12,095,095	5,231,798	1,429,123	1,876,169	3,919,852	92,999,189

(*) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale and hedging derivatives;
(**) Includes subordinated liabilities and hedging derivatives;
(***) The Millennium Bank in Greece is now classified as a discontinued operation, and the impact on results is presented on a separate line called Income arising from discontinued operations. In terms of balance, there was no change, maintaining the criterion considered in previous periods.

Reconciliation of net income of reportable segments with the net result of the Group

Description of the relevant items of reconciliation:

	Jun 2013 Euros '000	Jun 2012 Euros '000
Net contribution (excluding minority interest effect)		
Retail Banking in Portugal	(67,536)	(39,073)
Companies	(33,456)	(11,775)
Corporate and Investment Banking	(73,437)	(16,571)
Asset Management and Private Banking	7,401	11,662
Foreign Business	82,443	(407,993)
of which: continuing operations	124,182	108,714
of which: discontinued operations	(41,739)	(516,707)
	(84,585)	(463,750)
Impact on the Net interest income of the allocation of capital (1)	(3,284)	(6,169)
	(81,301)	(457,581)
Amounts included in the aggregate Others (not allocated to segments):		
Non-controlling interests (2)	(43,987)	(39,490)
Operating expenses (3)	(49,768)	12,486
Impairment and other provisions (4)	(162,033)	(69,358)
Equity accounted earnings	30,643	28,597
Own Credit Risk	(8,283)	(21,599)
Gains on repurchase of own issues (liability management)	-	184,300
Impact on net interest income of the liability management operations	(96,300)	(96,000)
Cost of debt issue with Stat Guarantee	(35,352)	(33,388)
Impact of exchange rate hedging of investments	107	(22,851)
Others (5)	(41,945)	(29,395)
Total not allocated to segments	(406,918)	(86,698)
Consolidated net (loss) / income	(488,219)	(544,279)

(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. In June 2012 includes a gain associated with the calculation of the death benefit of Euros 64,000,000.
(4) Includes provisions for property in kind, administrative infractions, various contingencies and other unallocated to commercial networks. In June 2013 includes Euros 80,000,000 related to the investment in Piraeus Bank.
(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 fulfils their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk is understood to be the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal Organisation

The Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of economic capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at the level both of the Group and of each entity. At the proposal of the Banco Comercial Português Executive Committee, the Board of Directors also approves the risk-tolerance level acceptable to the Group.

The Risk Commission is responsible for monitoring the overall levels of risk incurred, ensuring that they are compatible with the objectives and strategies approved for the business.

The Group Risk Officer is responsible for the control of risks in all the Group entities, in order to ensure that the risks are monitored on an overall basis and that there is alignment of concepts, practices and objectives. It must also keep the Risk Commission informed of the Group's level of risk, proposing measures to improve control and implementing the approved limits.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Commission and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent in their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Group Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems of monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention of money laundering, combating financing of terrorism, prevention of conflict of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk Evaluation and Management Model

For purposes of profitability analysis and risk quantification and control, each entity is divided into the following management areas:

- Trading and Sales: involves those positions whose objective is to obtain short-term gains through sale or revaluation. These positions are actively managed, are tradable without restriction and may be valued frequently and precisely, including the securities, the derivatives and the sales activities;
- Financing: Financing operations of the group in the market, including both money market operations and institutional ones (and possible risk coverage), but no structural financing transactions (e.g. subordinated debt);
- Investment: includes those positions in securities to be held to maturity, during a longer period of time or those that are not tradable on liquid markets, or any others that are held with no other purpose than short-term gains. Also includes any other hedging risk operation associated to those;
- Commercial: includes all operations (assets and liabilities) held at the normal course of business group with its customers;
- ALM: is the Assets and Liabilities management function, including operations decided by CALCO in the group's global risk management function and centralizes the transfer of risk between the remaining areas;
- Structural: deals with balance sheet elements or operations that, because of their nature, are not directly related to any of the other areas, including structural financing operations of the group, capital and balance sheet fixed items;

The definition of the management areas allows effective separation of the management of the trading and banking portfolios, as well as a proper allocation of each operation to the most appropriate management area according to their context.

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.

The gross Group's exposure to credit risk (original exposure), as at 30 June 2013 and 31 December 2012 is presented in the following table:

	Original exposure	
	Jun 2013	Dec 2012
Risk items	Euros '000	Euros '000
Central Governments or Central Banks	10,430,224	10,976,372
Regional Governments or Local Authorities	591,869	637,504
Administrative and non-profit Organisations	362,555	181,341
Multilateral Development Banks	76,129	92,566
Other Credit Institutions	5,490,047	6,727,642
Retail and Corporate customers	72,293,362	82,300,341
Other items	12,965,834	10,010,098
	102,210,020	110,925,865

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 2013, of the credit granted to entities whose country is one of those identified.

					June 2013		Euros '000
					Country		
Counterparty type	Maturity	Spain	Greece	Hungary	Ireland	Italy	Portugal
Financial Institutions	2013	246,276	224,663	740	950,027	95	103,982
	2014	50,000	-	-	15,000	23,000	197,496
	2015	24,037	-	-	-	-	51,390
	>2015	79,500	-	-	-	10,200	324,618
		399,813	224,663	740	965,027	33,295	677,486
Companies	2013	86,175	-	-	-	-	6,887,410
	2014	24,044	-	-	-	-	1,281,348
	2015	-	-	-	-	-	623,559
	>2015	206,866	13,658	-	-	-	6,569,742
		317,085	13,658	-	-	-	15,362,059
Retail	2013	2,771	6	11	161	160	2,543,094
	2014	4,565	21	1	56	18	784,018
	2015	90,149	9	2	2,327	46	525,456
	>2015	83,584	274	66	60,663	5,644	22,784,431
		181,069	310	80	63,207	5,868	26,636,999
State and other	2013	-	-	-	-	-	782,939
public entities	2014	-	-	-	200,000	-	2,932,344
	2015	-	-	-	-	-	2,059,502
	>2015	34,500	-	-	-	50,000	1,890,552
		34,500	-	-	200,000	50,000	7,665,337
Total country		932,467	238,631	820	1,228,234	89,163	50,341,881

The balance Financial Institutions includes applications in other credit institutions. The amounts do not include interest and are not deducted from the values of impairment.

The balance Companies includes the amounts of credit granted to the companies segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance Retail includes the amounts of credit granted to the retail segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance State and other public entities includes the amounts related to sovereign debt, credit to governmental institutions, public companies, governments and municipalities, and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

Market Risks

The Group in monitoring and control of market risk existing in the diverse portfolios (according with the previous definition), uses an integrated risk measure that includes the main types of market risk identified by the Group: generic risk, specific risk, non linear risk and commodities risk.

The measure used in evaluating the generic market risk is the VaR (Value at Risk). The VaR is calculated on the basis of the analysis approximation defined in the methodology developed by the RiskMetrics. It is calculated considering a 10-working day time horizon and an unilateral statistical confidence interval of 99%. In calculating the volatility associated with each risk factor, is performed using the econometric model estimation EWMA that assumes a greater weighting for the market conditions seen in the more recent days, thus ensuring more accurate adjustment to market conditions.

A specific risk evaluation model is also applied to securities (bonds, shares, certificates, etc) and associated derivatives for which the performance is related to its value. With the necessary adjustments, this model follows regulatory standard methodology.

Complementary measures are also used for other types of risk, a risk measure that incorporates the non-linear risk of options not covered in the VaR model, with a confidence interval of 99% and a standard measure for commodities risks.

These measures are included in the indicator of market risk with the conservative assumption of perfect correlation between the various types of risk.

Capital at risk values are determined both on an individual basis for each one of the position portfolios of those areas having responsibilities in risk taking and management, as well as in consolidated terms taking into account the effects of diversification between the various portfolios.

To ensure that the VaR model adopted is appropriate to the evaluation of the risks involved in the positions that have been assumed, a back testing process has been instituted. This is carried out on a daily basis and it confronts the VaR indicators with the actual results.

The following table shows the main indicators for these measures to the trading portfolio, during the first semester of 2013:

					Euros '000
	Jun 13	**Average**	**Maximum**	**Minimum**	**Dec 2012**
Generic Risk (VaR)	5,084	6,392	10,494	2,375	3,576
Interest Rate Risk	5,546	6,047	6,109	1,356	2,371
FX Risk	1,183	982	996	802	1,346
Equity Risk	583	927	6,155	1,003	713
Diversification effects	*2,228*	*1,564*	*2,765*	*786*	*854*
Specific Risk	813	838	1,594	730	728
Non Linear Risk	129	98	278	9	13
Commodities Risk	11	54	81	10	47
Global Risk	6,037	7,383	12,245	3,283	4,364

Evaluation of the interest rate risk originated by the banking portfolio is performed by a risk sensitivity analysis process carried out every month for all operations included in the Group's consolidated balance sheet.

For this analysis are considered the financial characteristics of the contracts available in information systems. Based on these data, a projection for expected cash flows is made, according to the repricing dates and any prepayment assumptions considered.

Aggregation of the expected cash flows for each time interval for each of the currencies under analysis allows determination of the interest rate gaps per repricing period.

The interest rate sensitivity of the balance sheet in each currency is calculated through the difference between the present value of the interest rate mismatch after discounting the market interest rates and the discounted value of the same cash flows by simulating parallel shifts of the market interest rates.

The following tables shows the expected impact on the banking books economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, on each of the main currencies:

		Jun 2013		**Euros '000**
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	642	307	3,034	6,077
EUR	141,593	66,790	(65,615)	(124,334)
PLN	38,673	18,938	(18,188)	(35,671)
USD	110	(633)	1,205	2,441
TOTAL	181,018	85,402	(79,564)	(151,487)

Dec 2012				Euros '000
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
CHF	433	272	1,448	2,943
EUR	133,024	57,825	(16,344)	(25,466)
PLN	20,644	10,074	(9,618)	(18,816)
USD	3,824	2,265	(1,490)	(2,688)
TOTAL	157,925	70,436	(26,004)	(44,027)

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	117,494	117,494	97,328	97,328
Millennium bcp Bank & Trust	USD	340,000	340,000	257,693	257,693
BCP Finance Bank, Ltd.	USD	561,000	561,000	425,193	425,193
BCP Finance Company	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	64,445	64,445	48,844	48,844
Bank Millennium, S.A.	PLN	1,700,125	1,700,125	417,311	417,311

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity.

The ineffectiveness generated in the hedging operations is recognised in the statement of income, as referred in the accounting policy 1 e).

Liquidity risk

Evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The evolution of the Group's liquidity situation for short-term time horizons (up to 3 months) is reviewed daily on the basis of two indicators defined in-house, immediate liquidity and quarterly liquidity. These measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding to the liquidity position of the day under analysis the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the transactions as a whole brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, for their dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered highly liquid is added to the calculated value, leading to determination of the liquidity gap accumulated for each day of the period under review.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risks Commission is responsible for controlling the liquidity risk.

This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries, fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

In the current conjuncture, and given the continued prudent management of liquidity by the Group, has been reinforced the buffer role provided by the liquidity asset portfolio discountable with the ECB (or other Central Banks), although the effect of loss of eligibility of part of the portfolio and the remaining devaluation. In this line, the portfolio of discountable assets to the ECB ended the first semester of 2013 with a value of Euros 15,807,708,000, a lower value than the end of 2012 but in line with the reduction in financing needs of the Group in this period.

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 2013 Euros '000	Dec 2012 Euros '000
European Central Bank	15,807,708	17,690,385
Other Central Banks	1,757,425	986,636
	17,565,133	18,677,021

As at 30 June 2013, the amount discounted in the European Central Bank and Other Central Banks amounted to Euros 11,900,000,000 and Euros 0 respectively (31 December 2012: Euros 12,255,000,000 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 13	Dec 12	Sep 12	Jun 12	Mar 12
Collateral total after haircuts	15,807,708	17,690,385	19,486,988	18,009,404	18,552,934
Collateral used	11,900,000	12,255,000	13,119,969	11,294,000	14,685,000
Collateral available after haircuts	3,907,708	5,435,385	6,367,019	6,715,404	3,867,934

The main liquidity ratios of the Group, according to the definitions of the Instruction n.º 13/2009 of the Bank of Portugal, had the following evolution:

	Reference value	2012	2011
Accumulated net cash flows up to 1 year as % of total accounting liabilities	Not less than (- 6 %)	5.8%	9.6%
Liquidity gap as a % of iliquid assets	Not less than (- 20 %)	3.1%	2.9%
Transformation Ratio (Credit / Deposits)		123.5%	128.7%
Coverage ratio of Wholesale funding by HLA (1)			
(up to 1 Month)		505.9%	878.6%
(up to 3 Months)		352.7%	357.4%
(up to 1 Year)		204.5%	298.8%

(1) HLA- Highly Liquid Assets.

Operational Risk

The approach to operational risk management is based on the business and support end-to-end processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for evaluation of the risks and for strengthening the performance within the scope of their processes. The Process Owners are responsible for keeping up to date all the relevant documentation concerning the processes, for ensuring the real adequacy of all the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risk self-assessment exercises, and for detecting and implementing improvement opportunities, including mitigating measures for the more significant exposures.

In the operational risk model implemented in the Group, there is a systematic process of gathering information on operational losses, that defines on a systematic form, the causes and the effects associated to an eventual detected loss. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of loans.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of the Bank.

54. Solvency

Following the request submitted by Millennium bcp, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the activity in Portugal as from 31 December 2010. In the scope of the Roll-Out Plan for the calculation of capital requirements for credit and counterparty risk, the Bank of Portugal authorised the extension of this methodology to the subclasses of risk “Renewable Retail Positions” and “Other Retail Positions” in Portugal with effect as from 31 December 2011. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk "Corporates" in Portugal and the adoption of IRB methodologies for “Loans secured by residential real estate” and “Renewable positions” of the Retail portfolio in Poland. In 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 nº6/2010 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 nº3/2011, 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 nº3/95 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 recognise 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 nº2/2012 from the Bank of Portugal. This corridor was enlarged by the Bank of Portugal to include the impacts that resulted from the change of mortality tables in 2005 and the actuarial losses of 2008, excluding the expected return of the fund's assets in the same year. This enlarged corridor is subject to a monthly amortization, which ended in December 2012.

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 nº 6/2010, determining a deduction to core tier 1 related to customers deposits with yields above a certain threshold (Instruction nº15/2012 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 nº1/2012 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 tier I 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.

The tier 2 includes the subordinated debt and 45% of the unrealized gains on available for sale assets that have been deducted to core tier 1. These components are part of the upper tier 2, except the subordinated debt, that is split between upper tier 2 (perpetual debt) and lower tier 2 (the remaining). Subordinated debt can only be included in the own funds with the agreement of the Bank of Portugal and as long as their total amount complies with the following limits: a) the tier 2 cannot surpass the amount of the tier 1 and b) the lower tier 2 cannot surpass 50% of the tier 1. Additionally, non-perpetual subordinated loans should be amortised at a 20% annual rate, during the last five years to maturity. The tier 2 is also subject to the deduction of the remaining 50% not deducted to the tier 1: (i) of interests held in financial institutions (more than 10%) and insurers (at least 20%); and (ii) the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach. If the amount of tier 2 is not enough to accommodate this deduction, the excess should be subtracted to the tier 1.

In order to conclude the calculation of the regulatory capital, there are still some deductions to the own funds that need to be performed, namely the amount of real-estate assets resulting from recovered loans that have exceeded the regulatory period of permanence in the Bank’s accounts, the impairment concerning securitization transactions that have not reached the regulatory definition of effective risk transfer, to the extent of the amounts not recognised in the Bank's accounts, and the potential excess of exposure to risk limits in the scope of Bank of Portugal published Regulation nº7/2010.

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 nº5/2007 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 for a significant part of the retail portfolio of Poland as from 31 December 2012, and the standardised approach for the remaining portfolios and geographies.

Capital requirements for operational risk have been calculated following the standard approach described in the Regulation nº9/2007 from the Bank of Portugal, and capital requirements for the trading portfolio have been calculated according to the Regulation nº8/2007 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 nº3/2011, 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 Group reached a core tier 1 ratio of 9.8% in December 2012, above the minimum established limit (9%).

The own funds and the capital requirements determined according to the methodologies previously referred, are the following:

	Jun 2013 Euros '000	Dec 2012 Euros '000
Core own funds		
Paid-up capital and share premium	3,500,000	3,571,722
Other capital instruments	3,000,000	3,000,000
Reserves and retained earnings	(765,284)	(294,170)
Non-controlling interests	638,239	624,420
Intangible assets	(250,836)	(258,635)
Net impact of accruals and deferrals	25,488	33,985
Other regulatory adjustments	(48,526)	(98,250)
Core tier 1	6,099,081	6,579,072
Preference shares and other securities	99,081	173,193
Other regulatory adjustments	(382,067)	(529,616)
Total	5,816,095	6,222,649
Complementary own funds		
Upper Tier 2	105,509	30,786
Lower Tier 2	811,651	665,801
	917,160	696,587
Deductions to total own funds	(148,823)	(146,040)
Total own funds	6,584,432	6,773,196
Own funds requirements		
Requirements from Regulation no.5/2007	3,580,354	3,920,546
Trading portfolio	44,076	45,051
Operational risk	275,979	296,058
	3,900,409	4,261,655
Capital ratios		
Core tier 1	12.5%	12.4%
Tier 1	11.9%	11.7%
Tier 2 (*)	1.6%	1.0%
Solvency ratio	13.5%	12.7%
By memory:		
Core Tier 1 EBA	10.0%	9.8%

(*) Includes deductions to total own funds

55. Relevant Administrative proceedings underway and related 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"

Several defendants (natural persons) presented an appeal to the Constitutional Court and the proceeding is waiting to be appraised.

Pursuant to a summary judgment adopted on 20 March 2013, the Constitutional Court decided "not to know" the appeals brought by the defendants stating that that those appeals did not comply with the respective requirements.

On 29 May 2013, the Constitutional Court did not accept the claims presented in the meantime by some of the defendants (natural persons) and confirmed the summary judgment. The proceedings will now return to the first-stage court for the schedule of a new trial.

2. 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 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 debate and trial hearing is currently underway.

3. On 22 June 2012, three companies controlled by the same physical person, the Ring Development Corp., the Willow Securities Inc., and the Lisop Sociedade de Serviços Investimentos e Comercio de Imobiliários Lda. (the "Plaintiffs") brought forward a lawsuit in the courts of Lisbon against Banque Privée BCP (Suíça) S.A. and the Bank requesting: (i) compensation for an unspecified amount, but always above Euros 40 millions, for alleged damages and (ii) that certain loan agreements established between the Plaintiffs and Banque Privée BCP (Suisse) S.A. in 2008, amounting to a total of around Euros 80 million be declared null but without the subsequent legal duty to return the funds borrowed. Notwithstanding the fact that the agreements are ruled by the Swiss law, the Plaintiffs based their request for the agreements to be declared null on an alleged violation of the provisos of the Portuguese Companies Code, stating that the loan agreements were made to enable the Plaintiffs to purchase shares of the Bank and on the fact that they had been forced to enter into the same. The Plaintiffs based their compensation request on alleged losses incurred due to the fact that Banque Privée BCP (Suisse) S.A. triggered the agreements' clause, selling the listed shares given as pledge at base prices, as foreseen in the loan agreements, and that the Plaintiffs were not given the possibility to continue to trade the pledged assets after the execution.

The loan agreements are ruled by the Swiss Law and subject to the jurisdiction of the Swiss courts and the Bank was informed that, according to the Swiss law, the Plaintiffs' request is not likely to be granted. Since the lawsuit was brought forward in the Portuguese courts, if the Portuguese courts decide to try the same, its outcome may be uncertain. Since the Bank believes that the Plaintiffs' request has no grounds, the Bank did not make any provisions regarding this litigation.

On 29 October 2012, the Bank presented its arguments. Banque Privée BCP (Suisse) S.A. requested that the citation be considered null; the request was accepted and an order was issued for the repetition of the citation, and the same was repeated on 08 January 2013. Banque Privée presented its arguments on 11 March 2013. The proceeding is waiting the scheduling of a preliminary hearing or the pronunciation of a decision accepting the formalities of right of action.

56. Sovereign debt of European Union countries subject to bailout

As at 30 June 2013, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

	Jun 2013					
Issuer / Portfolio	**Book value Euros '000**	**Fair value Euros '000**	**Fair value reserves Euros '000**	**Average interest rate %**	**Average maturity Years**	**Fair value measurement levels**
Portugal						
Financial assets held for trading	163,091	163,091	-	4.61%	5.3	1
Financial assets available for sale	4,531,196	4,531,196	70,419	2.66%	2.3	1
Held to maturity financial assets	1,857,533	1,843,935	-	3.64%	3.1	n.a.
	6,551,820	6,538,222	70,419			
Greece						
Financial assets held for trading	1,568	1,568	-	0.00%	0.0	1
	1,568	1,568	-			
Ireland						
Held to maturity financial assets	204,526	207,650	-	4.00%	0.5	n.a.
	204,526	207,650	-			
	6,757,914	6,747,440	70,419			

The value of the securities includes the respective accrued interest.

As at 31 December 2012, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

	Dec 2012					
Issuer / Portfolio	**Book value Euros '000**	**Fair value Euros '000**	**Fair value reserves Euros '000**	**Average interest rate %**	**Average maturity Years**	**Fair value measurement levels**
Portugal						
Financial assets held for trading	179,840	179,840	-	4.31%	5.3	1
Financial assets available for sale	3,430,813	3,430,813	129,519	3.46%	2.8	1
Held to maturity financial assets	1,828,175	1,813,761	-	3.64%	3.6	n.a.
	5,438,828	5,424,414	129,519			
Greece						
Financial assets held for trading	8,255	8,255	-	4.07%	1.4	1
Financial assets available for sale	36,580	36,580	6,018	2.62%	13.0	1
	44,835	44,835	6,018			
Ireland						
Held to maturity financial assets	209,355	210,102	-	4.00%	1.0	n.a.
	209,355	210,102	-			
	5,693,018	5,679,351	135,537			

The value of the securities includes the respective accrued interest.

(*) This caption includes Euros 19,950,000 related to greek sovereign debt bonds, resulted from the exchange operation and accounted on the Millennium Bank (Greece) portfolio.

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 2013		Dec 2012	
	Loans and advances to customers Euros '000	**Guarantees and future commitments Euros '000**	**Loans and advances to customers Euros '000**	**Guarantees and future commitments Euros '000**
Portugal	579,257	13,036	460,551	13,117
Greece	-	-	5,667	361
	579,257	13,036	466,218	13,478

Other exposures to sovereign risk of European Union countries subject to bailout are presented as follows:

	Jun 2013		Dec 2012	
	Notional amount Euros '000	**Fair value Euros '000**	**Notional amount Euros '000**	**Fair value Euros '000**
Credit Default Swaps				
Ireland	57,000	1,084	57,000	1,068
	57,000	1,084	57,000	1,068

The value of derivatives includes the respective accrued interest.

The values for 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.

57. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets. The financial assets sold under these transactions are derecognised from the balance sheet of the Group, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities:
- determine the objective of the Fund;
- manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which the Group holds minority positions) establish companies under the Portuguese law in order to acquire the loans to the banks, which are financed through the issuance of senior and junior bonds. The value of the senior bonds fully subscribed by the Finds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets.

The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the sale value.

These junior bonds, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus it related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions, the Group subscribed:

-Participation units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Group has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end.

- Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it doesn't hold substantially all the risks and rewards.

Considering that it doesn't hold control and doesn't exercise significant influence on the funds or companies management, the Bank performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

	Jun 2013			Dec 2012		
	Values associated to credit transfers			Values associated to credit transfers		
	Net assets transferred Euros '000	Received value Euros '000	Income/(loss) resulting from the transfer Euros '000	Net assets transferred Euros '000	Received value Euros '000	Income/(loss) resulting from the transfer Euros '000
Fundo Recuperação Turismo FCR	264,518	290,984	26,466	264,518	290,984	26,466
Fundo Reestruturação Empresarial FCR	35,362	35,571	209	-	-	-
FLIT	299,456	277,518	(21,938)	299,456	277,518	(21,938)
Vallis Construction Sector Fund	196,658	232,209	35,551	187,429	220,764	33,335
Fundo Recuperação FCR	218,320	202,173	(16,147)	218,320	202,173	(16,147)
Discovery Real Estate Fund	110,603	98,827	(11,776)	71,684	62,538	(9,146)
	1,124,917	1,137,282	12,365	1,041,407	1,053,977	12,570

	Jun 2013					
	Senior securities Euros '000	Junior securities Euros '000	Total Euros '000	Impairment for seniors Euros '000	Impairment for juniors Euros '000	Net value Euros '000
Fundo Recuperação Turismo FCR	274,168	-	274,168	-	-	274,168
Fundo Reestruturação Empresarial FCR	24,889	-	24,889	-	-	24,889
FLIT	178,512	65,645	244,157	(513)	(65,645)	177,999
Vallis Construction Sector Fund	205,208	34,610	239,818	-	(34,610)	205,208
Fundo Recuperação FCR	166,154	69,588	235,742	(12,843)	(69,588)	153,311
Discovery Real Estate Fund	98,680	-	98,680	-	-	98,680
	947,611	169,843	1,117,454	(13,356)	(169,843)	934,255

	Dec 2012					
	Senior securities Euros '000	Junior securities Euros '000	Total Euros '000	Impairment for seniors Euros '000	Impairment for juniors Euros '000	Net value Euros '000
Fundo Recuperação Turismo FCR	273,315	-	273,315	-	-	273,315
FLIT	173,813	59,508	233,321	-	(59,508)	173,813
Vallis Construction Sector Fund	165,531	32,161	197,692	-	(32,161)	165,531
Fundo Recuperação FCR	164,038	68,553	232,591	(8,522)	(68,553)	155,516
Discovery Real Estate Fund	45,683	-	45,683	-	-	45,683
	822,380	160,222	982,602	(8,522)	(160,222)	813,858

The junior securities correspond to supplementary capital in the amount of Euros 135,233,000 (31 December 2012: Euros 128,061,000), as referred in note 33 and Participation units in the amount of Euros 34,610,000 (31 December 2012: 32,161,000) as referred in note 24.

Additionally there is an amount of Euros 27,455,000, booked in the loans and advances to customer's portfolio that is fully provided.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for.

Although the junior bonds are fully provided, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

58. List of subsidiary and associated companies of Banco Comercial Português Group

As at 30 June 2013 the Banco Comercial Português Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Banco de Investimento Imobiliário, S.A.	Lisbon	217,000,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	41,000,000	EUR	Banking	100.0	100.0	–
Banca Millennium S.A.	Bucharest	303,195,000	RON	Banking	100.0	100.0	–
Banco Millennium Angola, S.A.	Luanda	4,009,893,495	AOA	Banking	50.1	50.1	50.1
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	65.5	65.5	65.5
Banque Privée BCP (Suisse) S.A.	Geneve	70,000,000	CHF	Banking	100.0	100.0	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	202,176,165	EUR	Investment	100.0	15.3	–
Caracas Financial Services, Limited	George Town	25,000	USD	Financial Services	100.0	100.0	100.0
MB Finance AB	Stockholm	500,000	SEK	Investment	100.0	65.5	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	Sao Paulo	40,596,536	BRL	Financial Services	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	–
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0	100.0	100.0
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BII Internacional, S.G.P.S., Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	–
Bitalpart, B.V.	Rotterdam	19,370	EUR	Holding company	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Lisbon	2,000,000	EUR	Venture capital	100.0	100.0	100.0
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	48.5	–
BII Investimentos International, S.A.	Luxembourg	150,000	EUR	Investment fund management	100.0	100.0	–
Imábida - Imobiliária da Arrábida, S.A. (*)	Oeiras	1,750,000	EUR	Real-estate management	100.0	100.0	100.0
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
Millennium bcp - Prestação de Serviços, A. C. E.	Lisbon	331,000	EUR	Services	93.8	94.3	75.8
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100.0	65.5	–

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	65.5	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	65.5	–
Millennium Telecomunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	65.5	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	65.5	–
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	Oeiras	6,720,691	EUR	Investment fund management	100.0	100.0	100.0
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext services	100.0	100.0	100.0
MBCP REO I, LLC	Delaware	370,174	USD	Real-estate management	100.0	100.0	–
MBCP REO II, LLC	Delaware	4,517,129	USD	Real-estate management	100.0	100.0	–
Millennium bcp Imobiliária, S.A.	Lisbon	50,000	EUR	Real-estate management	99.9	99.9	99.9
Propaço- Sociedade Imobiliária De Paço D'Arcos, Lda	Oeiras	5,000	EUR	Real-estate company	52.7	52.7	52.7
QPR Investmentos, S.A. (*)	Lisbon	50,000	EUR	Advisory and services	100.0	100.0	100.0
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
TBM Sp.z o.o.	Warsaw	500,000	PLN	Advisory and services	100.0	65.5	–

(*) - Companies classified as non-current assets held for sale

The Group also consolidates under the full consolidation method the following Investment Funds: "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo Especial de Investimento Imobiliário Oceânico II", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital", "Fundo Especial de Investimento Imobiliário Fechado Sand Capital", "Fundo de Investimento Imobiliário Fechado Gestimo", "M Inovação - Fundo de Capital de Risco BCP Capital", "Fundo Especial de Investimento Imobiliário Fechado Intercapital" and "Millennium Fundo de Capitalização - Fundo de Capital de Risco", as referred in the accounting policy presented in note 1 b).

As at 30 June 2013 the associated companies, were as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Banque BCP, S.A.S.	Paris	93,733,823	EUR	Banking	19.9	19.9	19.9
Banque BCP (Luxembourg), S.A.	Luxembourg	16,500,000	EUR	Banking	9.9	9.9	–
Academia Millennium Atlântico	Luanda	47,500,000	AOA	Education	33.0	16.5	–
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,625	EUR	Extractive industry	20.0	20.0	20.0
Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A.	Luanda	19,200,000	USD	Services	10.0	10.0	–
Beira Nave	Beira	2,849,640	MZN	Naval shipyards	22.8	13.7	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.0	–
Luanda Waterfront Corporation	George Town	10,810,000	USD	Services	10.0	10.0	–

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	32.8	–
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1	41.1	41.1
Pomorskie Hurtowe Centrum Rolno - Spożywcze 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	Tourism	31.3	31.3	31.3
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	21.9	21.9	21.5
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory and services	25.0	25.0	25.0
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	31.7
VSC - Aluguer de Veículos Sem Condutor, Lda.	Lisbon	5,000	EUR	Long term rental	50.0	50.0	–

As at 30 June 2013 the Banco Comercial Português Group's subsidiary and associated insurance companies included in the consolidated accounts under the full consolidation method and equity method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	89.9	60.0	–

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	1,000,002,375	EUR	Holding company	49.0	49.0	–
Médis - Companhia Portuguesa Seguros de Saúde, S.A.	Oeiras	12,000,000	EUR	Health insurance	49.0	49.0	–
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ocidental - Companhia Portuguesa de Seguros, S.A.	Oeiras	12,500,000	EUR	Non-life insurance	49.0	49.0	–
Pensõesgere, Sociedade Gestora Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

During the first semester of 2013, it was included in the consolidated perimeter the entity Millennium Fundo de Capitalização - Fundo de Capital de Risco.

The Group held a set of securitization transactions regarding mortgage loans, consumer loans, leases, commercial paper and corporate loans which were 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, following the application of SIC 12. These operations are detailed in note 23.

Statement of Compliance

Millennium
bcp

Executive Committee

DECLARATION OF COMPLIANCE

It is declared, that in the extent of the knowledge of the below signed, 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, 2013, (ii) the individual and consolidated income statements for the six months ended 30 June, 2013, (iii) the changes in equity and the cash flow statement for the year six months 30 June, 2013, (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, 2013 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, 2013 were approved by the Executive Committee on 27 August, 2013.

It is also declared that the 2013 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 27 August, 2013.

Porto Salvo, 27 August, 2013

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
(Member)

Rui Manuel da Silva Teixeira
(Member)

New Share Capital: 3,500,000,000 Euros

External Auditor’s Report

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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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 hereby present our limited review report on the interim consolidated financial information for the six month period ended 30 June 2013, of **Banco Comercial Português, S.A.** which includes: the consolidated statement of financial position (with a total assets of Euros 83,943,576 thousand and total equity attributable to the shareholders of Euros 2,785,107 thousand including a consolidated net loss attributable to the shareholders of Euros 488,219 thousand) and the consolidated statements of income, cash flows, changes in equity and comprehensive income for the six month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the consolidated financial statements and the additional financial information were extracted from the accounting records.

Responsibilities

3 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 and the consolidated result of its operations, the consolidated cash-flows, the consolidated changes in equity and the 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 policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4 Our responsibility is to verify the above mentioned consolidated financial information, 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 about whether 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 reliability 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;
- applicability 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 usual significant transactions.

6 Our review also included the verification that the consolidated financial information included in the Management Report is consistent with the documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim consolidated 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 accompanying interim consolidated financial information for the six month period ended 30 June 2013, 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.

Lisbon, 27 August 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Ana Cristina Soares Valente Dourado (ROC nr. 1011)

Report and Accounts for the 1st Half of 2013

www.millenniumbcp.pt

Banco Comercial Português, S.A.,
Public Company

Head Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
3,500,000,000 Euros

Registered at
Porto Commercial Registry
under the Same Registration and
Tax Identification number 501 525 882

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