2014

First Half Report

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

REPORT & ACCOUNTS FOR THE 1ST HALF OF 2014

BANCO COMERCIAL PORTUGUÊS, S.A.

Public Company
Head Office: Praça D. João I, 28, 4000-295 Porto - Share Capital of 3,706,690,253.08 euros
Registered at Porto Commercial Registry, under the same registration and tax identification number 501 525 882

Millennium bcp

The First Half 2014 Report and Accounts is a translation of the Relatório e Contas do 1º Semestre de 2014 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 2014 prevails.

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

CONTENTS

Information on the BCP Group

KEY INDICATORS

Euro million

	30 Jun. 14	30 Jun. 13	Change 14/13
Balance sheet			
Total assets	80,440	83,944	-4.2%
Loans to customers (gross) (1)	58,261	60,920	-4.4%
Total customer funds (1)	63,976	63,881	0.1%
Balance sheet customer funds (1)	51,915	52,122	-0.4%
Customer deposits (1)	48,463	47,533	2.0%
Loans to customers, net / Customer deposits (2)	115%	122%	
Loans to customers, net / Customer deposits (3)	116%	122%	
Results			
Net income	(62.2)	(488.2)	
Net interest income	496.0	380.2	30.4%
Net operating revenues	1,088.4	774.5	40.5%
Operating costs	576.7	596.1	-3.2%
Loan impairment charges (net of recoveries)	371.6	474.0	-21.6%
Other impairment and provisions	114.0	234.4	-51.4%
Income taxes			
Current	62.5	35.9	
Deferred	(60.3)	(165.8)	
Profitability			
Net operating revenues / Average net assets (2)	2.7%	1.8%	
Return on average assets (ROA) (4)	0.0%	-1.0%	
Income before tax and non-controlling interests / Average net assets (2)	0.0%	-1.3%	
Return on average equity (ROE)	-5.0%	-32.3%	
Income before tax and non-controlling interests / Average equity (2)	-0.5%	-31.5%	
Credit quality			
Overdue loans and doubtful loans / Total loans (2)	9.4%	9.0%	
Overdue loans and doubtful loans, net / Total loans, net (2)	4.3%	3.4%	
Credit at risk / Total loans (2)	11.9%	12.6%	
Credit at risk, net / Total loans, net (2)	6.9%	7.3%	
Impairment for loan losses / Overdue loans by more than 90 days (1)	73.1%	85.4%	
Efficiency ratios (2) (5)			
Operating costs / Net operating revenues	56.6%	76.5%	
Operating costs / Net operating revenues (Portugal)	62.4%	105.0%	
Staff costs / Net operating revenues	31.7%	43.0%	
Capital			
Common equity tier I (CRD IV/CRR phased-in) (6)	12.5%	-	
Common equity tier I (CRD IV/CRR fully-implemented) (6)	9.0%	-	
Core tier I (2)	-	12.5%	
Tier I (2)	-	11.9%	
Total (2)	-	13.5%	
Branches			
Portugal activity	740	797	-7.2%
Foreign activity	730	737	-0.9%
Employees			
Portugal activity	8,351	8,744	-4.5%
Foreign activity	10,054	10,048	0.1%

(1) Adjusted from the effect related to the classification of Millennium bank in Romania and Millennium bcp Gestão de Activos as discontinued operations.

(2) According to Instruction from the Bank of Portugal no. 16/2004, 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.

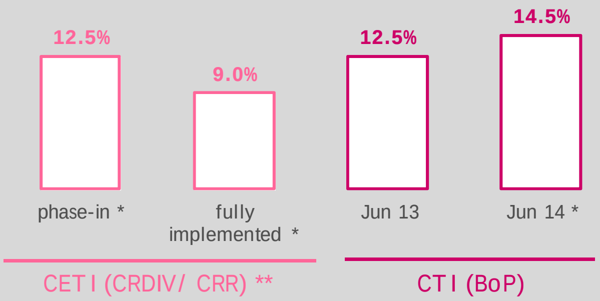
(5) Excludes the impact of specific items: gains from the sale of the shareholdings associated with non-life insurance business (Euro 69.4 million in the first half of 2014), restructuring programme (Euro - 11.2 million in the first half of 2013) and legislative change related to mortality allowance (Euro 7.5 million in the first half of 2013).

(6) Calculated based on a conservative interpretation of the proposed DTAs regulation published on 12 June 2014. Pro forma, includes the right issue of Euro 2,242 million, the repayment of Euro 1,850 million of CoCos and the deconsolidation of the Romania operation.

Main Highlights

CAPITAL RATIOS

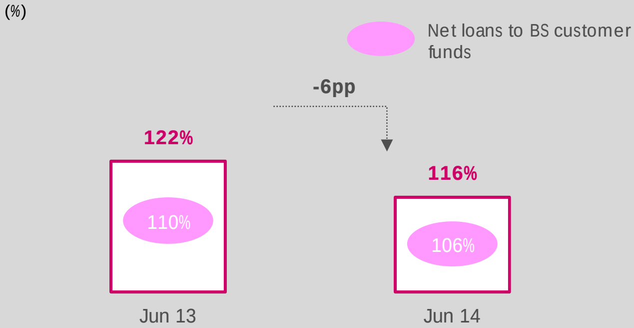
(%)



* Pro forma, includes the right issue of 2,242 million euros, the repayment of 1,850 million euros of CoCos and the deconsolidation of the Romania operation
** Calculated based on a conservative interpretation of the proposed DTAs regulation published on 12 June 2014

LOANS TO DEPOSIT RATIO

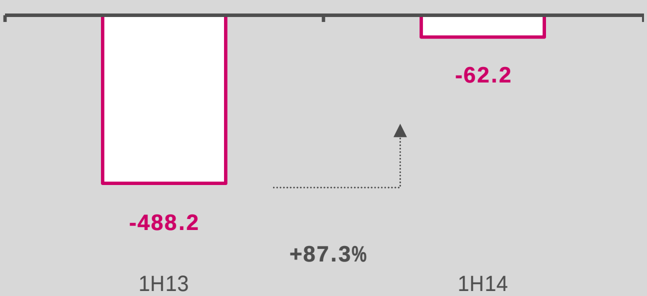
(%)



* Calculated based on customer deposits and net loans to customers (BoP criteria)

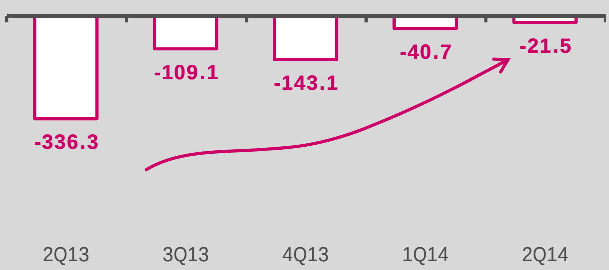
NET INCOME

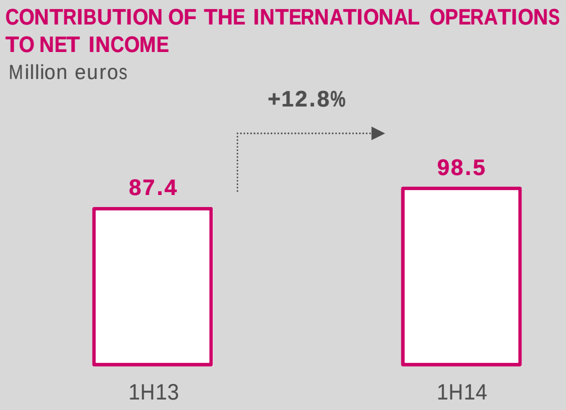
Million euros



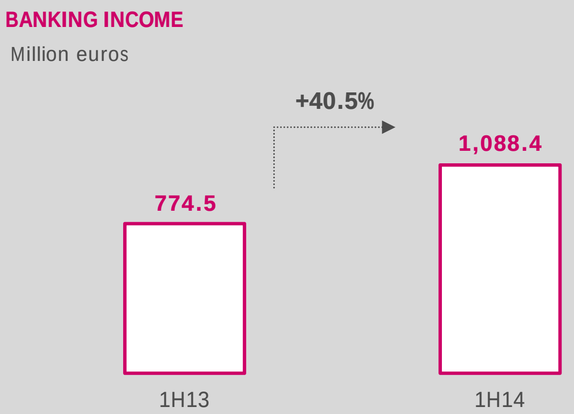
QUARTERLY NET INCOME

Million euros

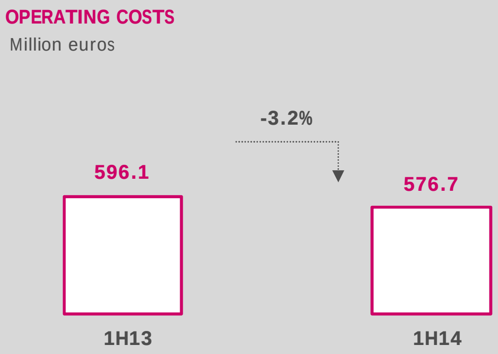




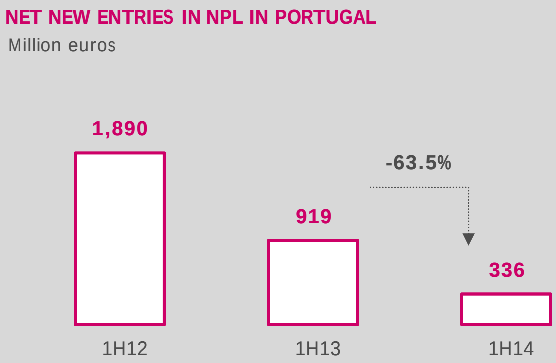
CONTRIBUTION OF THE INTERNATIONAL OPERATIONS TO NET INCOME
Million euros
+12.8%
87.4
98.5
1H13
1H14



BANKING INCOME
Million euros
+40.5%
774.5
1,088.4
1H13
1H14



OPERATING COSTS
Million euros
-3.2%
596.1
576.7
1H13
1H14



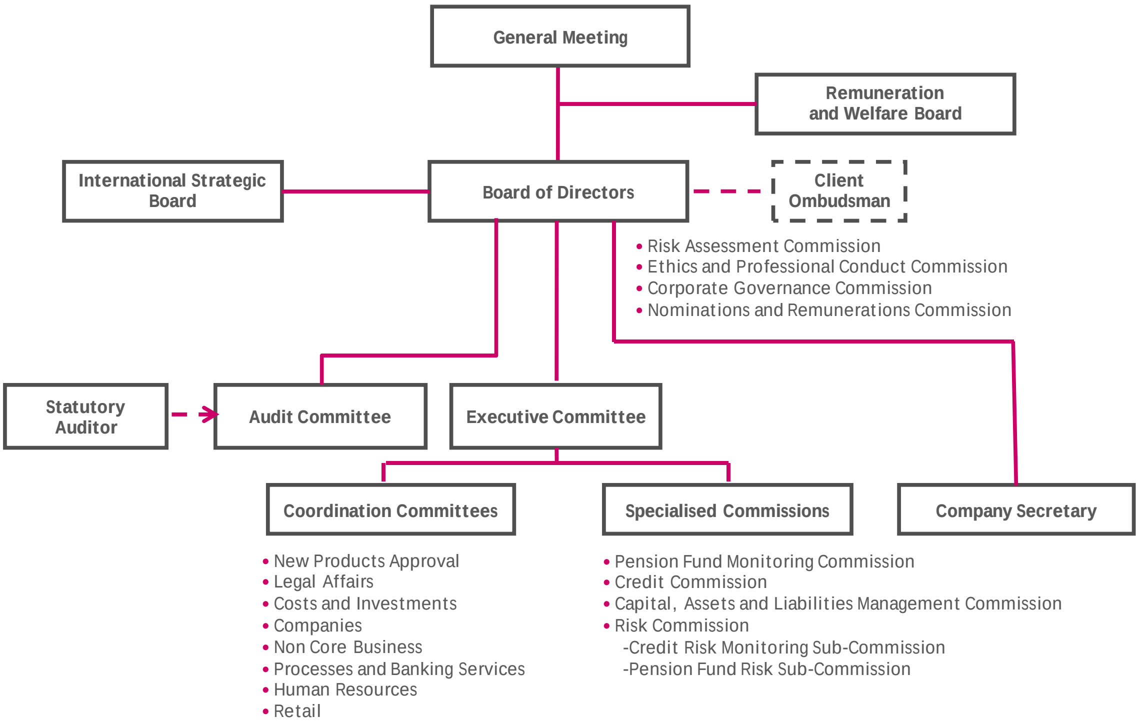
NET NEW ENTRIES IN NPL IN PORTUGAL
Million euros
1,890
919
-63.5%
336
1H12
1H13
1H14

GOVERNANCE

Banco Comercial Português, S.A. adopts a one-tier management and supervisory model, comprised of a Board of Directors, which includes an Executive Committee and an Audit Committee comprised of only non-executive Directors. The company also has a Remuneration and Welfare Board and an International Strategic Board.

Furthermore, the Group also uses a Statutory Auditor and an external audit firm to audit the individual and consolidated accounts of the Bank, whose appointment was deliberated at the General Meeting.

ORGANISATIONAL CHART OF THE COMPANY'S CORPORATE GOVERNANCE MODEL



The General Meeting is the highest governing body of the company, representing the entirety of the shareholders, and its deliberations are binding for all when taken under the law terms and articles of association. The General Meeting is responsible for:

- Electing and dismissing the Board, as well as the members of the management and supervisory bodies, and Remuneration and Welfare Board;
- Approving amendments to the memorandum of association;
- Deliberating on the annual management report and accounts for the year and proposed application of results;
- Deliberating on matters submitted upon request of the management and supervisory bodies;
- Deliberating on all issues entrusted to it by the law or articles of association, or included in the duties of other corporate bodies.

The Board of Directors is the governing body of the Bank, pursuant to the law and articles of association, with the most ample powers of management and representation of the company.

Under the terms of the articles of association in force, the Board of Directors is composed of a minimum of seventeen and maximum of twenty-five members with and without executive duties, elected by the General Meeting for a period of three years, who may be re-elected.

The Board of Directors in office as at 30 June 2014 was composed of twenty permanent members, with 13 non-executives, including 2 members appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds, and 7 executives.

On 1 March 2012, the Board of Directors appointed an Executive Committee composed of seven of its members, in which it delegates the current management of the Bank. During the first half of 2014 the Executive Committee was assisted in its management functions by several committees and commissions which oversaw the monitoring of certain relevant matters.

The supervision of the company is assured by an Audit Committee, elected by the General Meeting, composed of a minimum of three and maximum of five members, elected together with all the other directors. The proposed lists for the Board of Directors must detail which members will be part of the Audit Committee and indicate the respective Chairman.

The Remuneration and Welfare Board is composed of three to five members, elected by the General Meeting, the majority of whom should be independent.

The Company Secretary and respective Alternate Secretary are appointed by the Bank's Board of Directors, with their duties ceasing upon the termination of the term of office of the Board that appointed them.

Identification and Composition of the Governing Bodies

	Board of Directors	Executive Committee	Audit Committee	Remuneration and Welfare Board	Board for International Strategy
António Vitor Martins Monteiro (Chairman)	●				●
Carlos José da Silva (Vice Chairman)	●				●
Nuno Manuel da Silva Amado (Vice Chairman and CEO)	●	●			●
Álvaro Roque de Pinho Bissaia Barreto	●				
André Luiz Gomes	●				
António Henriques de Pinho Cardão	●				
António Luís Guerra Nunes Mexia	●				
Bernardo de Sá Braamcamp Sobral Sottomayor (*)	●			●	
César Paxi Manuel João Pedro	●				
Jaime de Macedo Santos Bastos	●		●		
João Bernardo Bastos Mendes Resende	●				
João Manuel de Matos Loureiro (Chairman CAUD)	●		●		
José Guilherme Xavier de Basto	●		●		
José Jacinto Iglésias Soares	●	●			
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 (Vice Chairman of EC)	●	●			
Miguel Maya Dias Pinheiro (Vice Chairman of EC)	●	●			
Rui Manuel da Silva Teixeira	●	●			
José Manuel Archer Galvão Teles (Chairman of RWB)				●	
Manuel Soares Pinto Barbosa				●	
José Luciano Vaz Marcos				●	
Carlos Jorge Ramalho dos Santos Ferreira (Chairman of BIS)					●
Francisco Lemos José Maria					●
Josep Oliu Creus					●

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

BCP GROUP IN THE FIRST HALF OF 2014

OVERVIEW

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese private-owned bank. The Bank, with its decision centre in Portugal, meets the challenge of: "Going further beyond, doing better and serving the Customer", guiding its action by values including respect for people and institutions, focus on the Customer, a mission of excellence, trust, ethics and responsibility. It is a distinguished leader in various areas of financial business in the Portuguese market and a reference institution at an international level. The Bank holds a prominent position in Africa through its banking operations in Mozambique and Angola, and in Europe through its banking operations in Poland and Switzerland. The Bank has operated in Macau through a full branch since 2010, when a memorandum of understanding was signed with the Industrial and Commercial Bank of China aimed at strengthening cooperation between the two banks, which is extended to other countries and regions beyond Portugal and China. The Macau branch is increasingly 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.

HISTORY

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 **Up to 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:** - Banque Privée incorporation **-** 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 Banque BCP in Luxembourg - Sale of the full shareholding in Piraeus Bank 2014: - Sale of the entire share capital of Banca Millennium Romania (BMR) to OTP Bank

Competitive Positioning

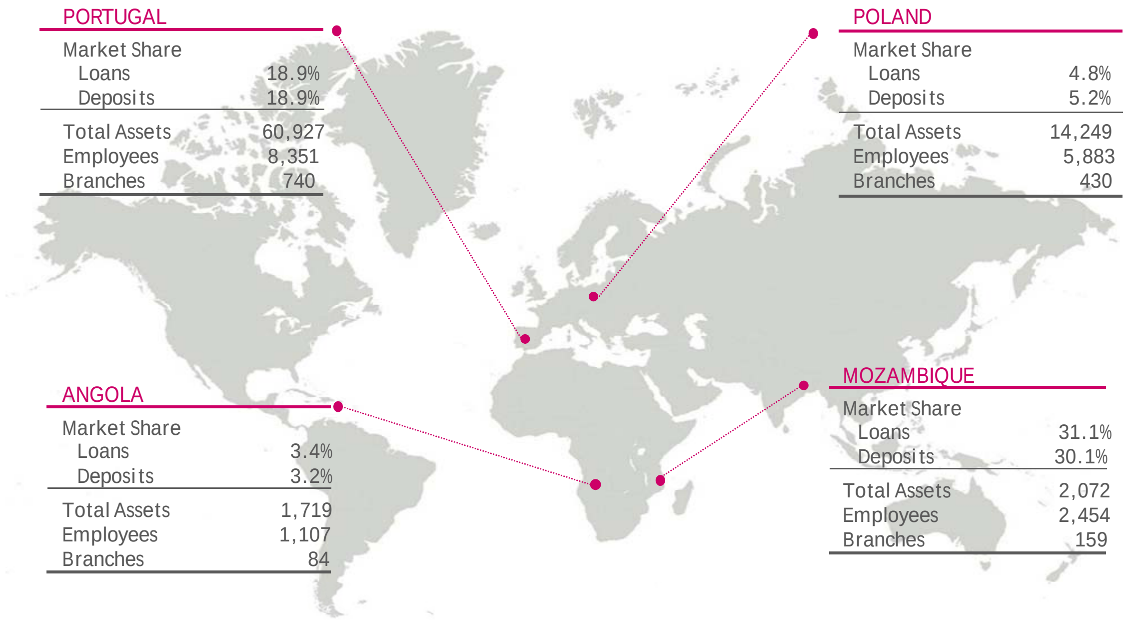
Millennium bcp is the largest Portuguese private-owned banking institution, with the second largest branch network in Portugal (740) and an expanding position in the countries where it operates, especially in African affinity markets.

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

Its mission of ensuring excellence, quality service and innovation 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.

By the of the first half of 2014, operations in Portugal accounted for 76% of total assets, 77% of total loans to customers (gross) and 75% of total customer funds. The Bank had over 2.3 million customers in Portugal and market shares of 18.9% and 18.9% for loans to customers and customer deposits, respectively, as at June 2014.

Millennium bcp was also present in the five main continents of the world through its banking operations, representative offices and/or commercial protocols, serving over 5.5 million customers, at the end of June 2014.



Millennium bcp continues to pursue plans to expand its operations in Africa. Millennium bim, a universal bank, has been operating since 1995 in Mozambique, where it is the leading bank, with over 1.2 million customers, 31.1% of loans to customers and 30.1% of deposits. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, significant penetration in terms of electronic banking and the exceptional capacity to attract new customers, being a reference in terms of profitability.

Banco Millennium Angola (BMA) was incorporated on April 3, 2006 via the 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 intends to become an important partner for companies in 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 first half of 2014, the Bank had a market share of 3.4% in loans to customers and 3.2% 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. At the end of the first half of 2014, Bank Millennium had market share of 4.8% in loans to customers and 5.2% in deposits.

The Group has had an operation in Switzerland since 2003, operating through a private banking platform offering personalised, quality services to the Group's high net worth customers, comprising asset management solutions based on rigorous research and 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 Asia 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 between Europe, China and Portuguese-speaking Africa.

The Bank also has 10 representative offices (1 in the United Kingdom, 1 in Germany, 3 in Switzerland, 2 in Brazil, 1 in Venezuela, 1 in China and 1 in South Africa), 5 commercial protocols (Canada, USA, Spain, France and Luxembourg) and 1 commercial promoter (Australia).

Millennium Network

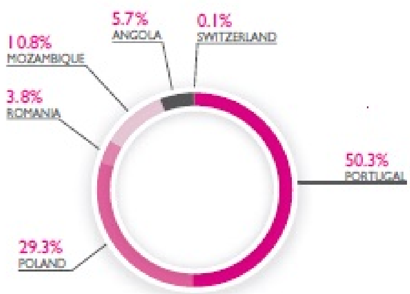
DISTRIBUTION NETWORK

NUMBER OF BRANCHES

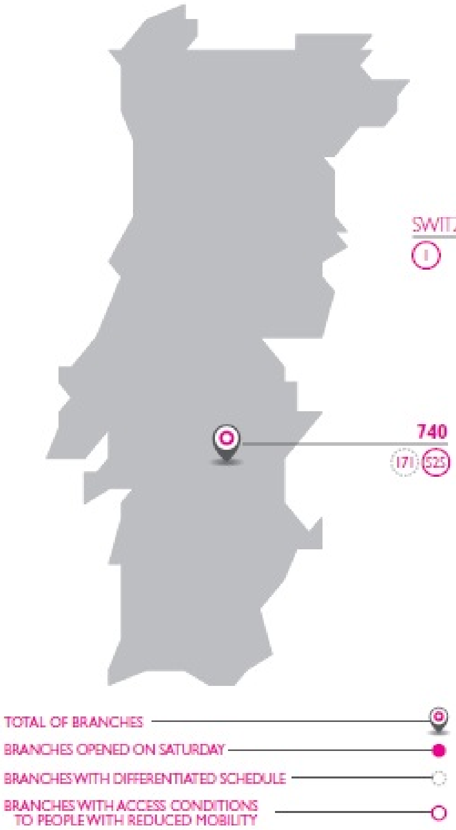
	1H2014	2013	1H2013	CHANGE % 1H14/1H13
TOTAL IN PORTUGAL	740	774	797	-7.15%
Poland	430	439	441	-2.49%
Switzerland	1	1	1	0.00%
Romania	56	65	65	-13.85%
Mozambique	159	157	152	4.61%
Angola	84	82	78	7.69%
TOTAL OF INTERNATIONAL OPERATIONS	730	744	737	-0.95%
TOTAL	1,470	1,518	1,534	-4.17%

1,470 MILLENNIUM BRANCHES

BRANCHES BREAKDOWN



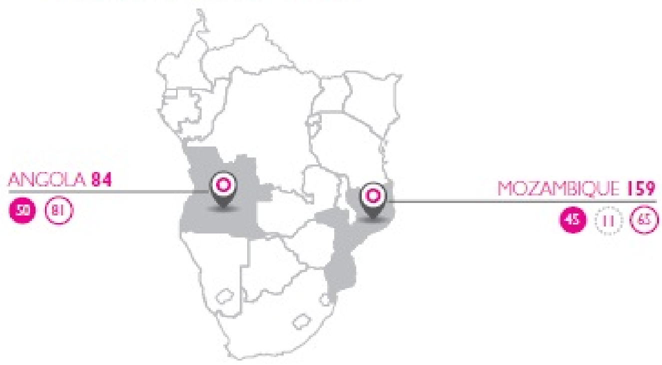
PORTUGAL



INTERNATIONAL

POLAND, SWITZERLAND AND ROMANIA

ANGOLA AND MOZAMBIQUE

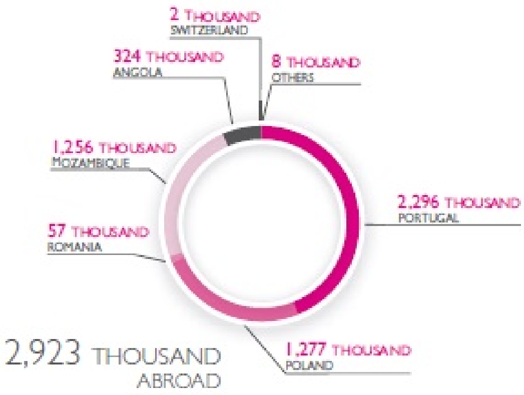


REMOTE CHANNELS AND SELF-BANKING

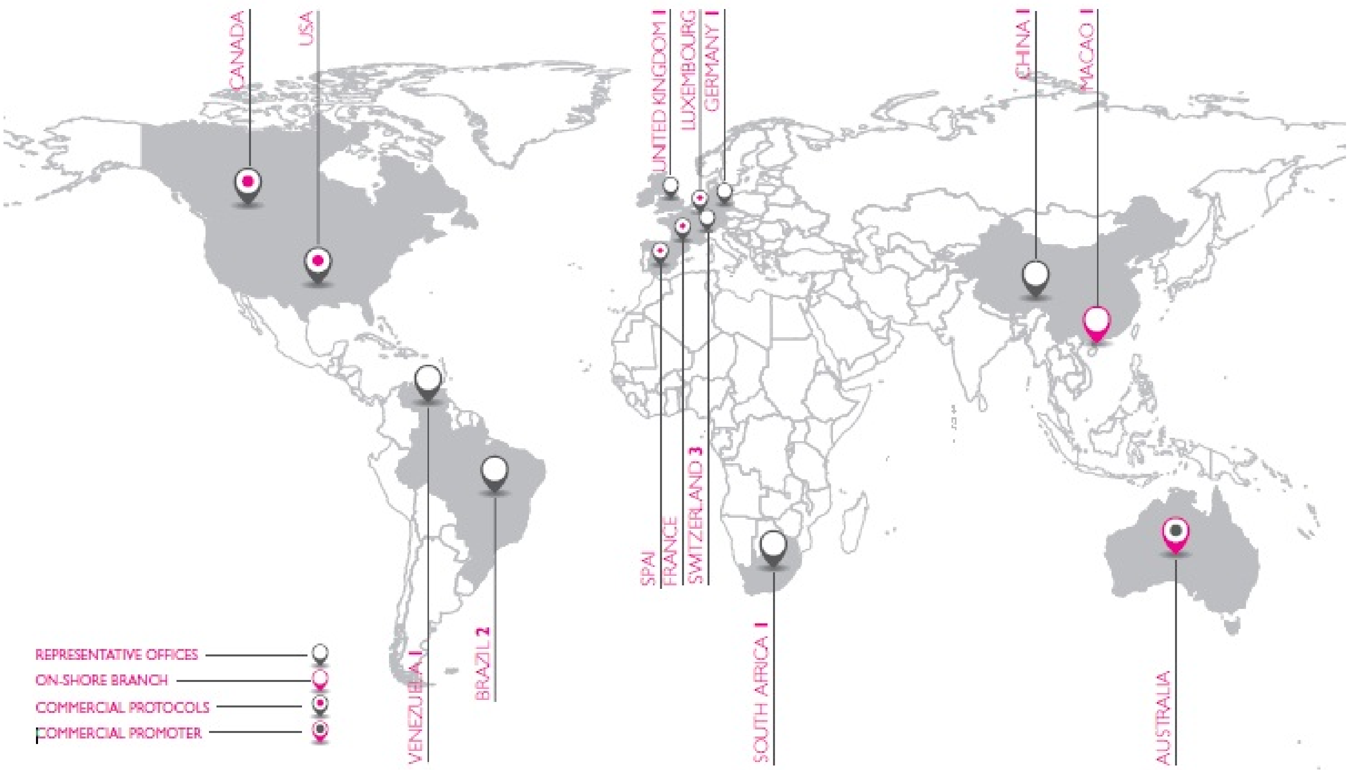
5.220 MILLION CUSTOMERS

	Internet	Call Centre	Mobile Banking	ATM (*)	POS (**)
TOTAL IN PORTUGAL	541,495	130,911	82,800	2,137	33,878
Poland	791,563	33,931	110,677	545	-
Switzerland	289	-	-	-	-
Romania	19,433	712	1,924	58	1,148
Mozambique	18,307	101,847	235,146	419	5,167
Angola	4,273	-	-	114	1,410
TOTAL OF INTERNATIONAL OPERATIONS	833,865	136,490	347,747	1,136	7,725
TOTAL	1,375,360	267,401	430,547	3,273	41,603

Note: There are considered Customers/active users those who used Internet, call centre or mobile banking at least once in the last 90 days.
(*) Automated Teller Machines.
(**) Point of Sales.



REPRESENTATIVE OFFICES, BRANCHES, COMMERCIAL PROTOCOLS AND COMMERCIAL PROMOTER



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 and Switzerland. All its banking operations develop their activity under the Millennium brand. Always attentive to the challenges imposed in an increasingly more global market, the Group also ensures its presence in the five main continents of the world through representative offices and/or commercial protocols.

The Bank offers a vast range of financial products and services: current accounts, means of payment, savings and investment products, private banking, asset management and investment banking, including 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 the retail market, providing services to its customers in a segmented manner. The operations of the subsidiaries generally provide their products through the BCP distribution networks, offering a wide range of products and services, in particular asset management and insurance.

DISTINCTIVE FACTORS AND SUSTAINABILITY OF THE BUSINESS MODEL

Largest private owned banking institution

Millennium bcp is Portugal's largest private owned banking institution, with a position of leadership and particular strength in various financial products, services and market segments based on a strong and significant franchise at a national level.

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve Customer interests, both through a value proposition 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 first half of 2014, the Bank had the second largest banking distribution network of the country – 740 branches, serving over 2.3 million Customers, and held the position of second bank (first private owned bank) in terms of market share both for loans to customers (18.9%), and customer deposits (18.9%), in June 2014.

Resilience and sustainability of the business model

The resilience of the business model lies essentially on retail banking which is, by nature, more stable and less volatile due to the smaller weight of financial operations. The Bank adopted a new business model based on a new customer base segmentation, the review made to the products and services that it offers, on the adjustments introduced in its back office and branch network, the increase of its sales force near the customers and, simultaneously, reduced its operating costs. The objective of the Bank is to ensure medium-long term sustainable profits, searching to become the best in class in terms of operational efficiency, generation of income and reduction of operating expenses, keeping a high control of credit risk and, this way, preserve its strategic position in the Portuguese market in retail and SME banking services.

In September 2013, the Directorate-General for Competition of the European Commission announced the formal agreement established with the Portuguese authorities relating to the Bank's restructuring plan, concluding that this plan complies with the rules of the European Union in what concerns state aids, showing that the Bank is viable without ongoing support from the State.

The share capital increase operation recently concluded will enable the Bank to accelerate its strategic plan by the immediate reimbursement of 1.850 million Euros of the capital hybrid instruments underwritten by the Portuguese State (CoCos), rescheduling the full payment of these instruments to the beginning of 2016 and increase the organic generation of capital enabling the launching of the bases for a sustained growth of income which will enable the Bank to achieve a greater balance between the contributions given by the domestic and international components.

Innovation and execution capability

Since its incorporation, BCP has built a reputation based on innovation. The Bank was the first bank in Portugal to introduce various concepts and innovative products, including direct marketing methods; design of branches based on the customers' profile; wage accounts; smaller and more efficient branches ("Nova Rede"); telephone banking (through Banco 7, which subsequently became the first online platform in Portugal; health insurance (Médis) and direct insurance; and was the first Portuguese bank with a website dedicated to companies. The Bank was also the first institution to launch a new concept of internet banking based on the platform of ActivoBank able to supply a simplified service to the customer, including the opening of a current account through a tablet. Other examples of advanced solutions are: (i) "Commercial GPS", a new program to increase commercial efficiency in the SME and corporate networks of Millennium bcp. This program enables the detection of sale opportunities for SME and corporate customers through a CRM software installed in a tablet that puts the relationship managers in touch with their customers in a more efficient manner; (ii) Service to Sales, particularly the adjustment of the service model in mass market branches (staff per branch, employees operating model, customer card readers) to maximise personal contact with the customers, take advantage of cross-selling opportunities and provide the customers with tailor-made solutions; and (iii) Mobile Banking for Companies that validates transactions in the mobile phone without the need to be registered at the website of Millenniumbcp as previously required.

Technology

With the purpose of continuing its information systems improvement process, the Bank developed during the first six months of 2014, a set of structuring initiatives and projects of which we point out the launching of the project for the renewal of the treasury systems that comprises, apart from Portugal, the operations in Poland, Angola and Mozambique; the creation in the website “millenniumbcp.pt”, of an exclusive area with information and a differentiated offer for individual Shareholders of the Bank and the renewal of the Apps for individual customers of Millennium bcp and of ActivoBank, including the provision of a new version of the respective Stock Exchange Apps. We must also mention the launching of a new application for the management of collaterals to simplify the management of the Bank's collateral related processes; provision of the decentralized capture of the cheque image enabling to scan and capture of the image of the cheque at the counter and send it in a digital format to SIBS; the application portfolio assessment process so as optimize the several applications under management and also the implementation of a new tool to support credit decision-making strategies. Worth mentioning are the provision of new tools to the Company and Corporate Networks that enables the staff of those networks to access their work environment anywhere, representing therefore an important contribution for the adoption of a new way to work, supported by the tool “Commercial GPS” and the implementation of a *Disaster Recovery Plan* for the web*sites* and the Bank's mobile solutions that ensures, in case of misfunction, that these services continue to operate.

Within the scope of the projects with a legal and/or regulatory nature, we stress the end of the 1st stage of the implementation of a new solution enabling to comply with the requirements relating to *Common Reporting* (COREP) and *Financial Reporting* (FINREP), being also worth mentioning the continuance of the process to adapt the systems to the new requirements for the issue of bills and their report to the Tax Authorities.

Internet & Mobile

The Bank is committed with innovation and with the maintenance and development of the internet channels (Individuals and Companies), Mobile Individuals (App Millennium, Mobile Web and Mobile SMS) and Mobile Companies (App companies) and of the Facebook pages (Millennium Mobile and Mais Millennium). The projects set in motion during the first six months of 2014 comprehend new functions and the development of the information contents of the Individual and Companies websites.

Examples of the developments introduced in the Individuals and Companies website are: a new M Vídeos area consisting in a multimedia centre in the website where the customers may easily access tutorials, news on the market or other useful information in video format; launching of the Espaço Millennium bcp Acionista, that is a micro site with a financial an non financial offer where shareholders of the Millennium bcp, Customers, or not, may register and access an exclusive offer; launching of the Savings Centre, a new area that may be accessed through the website of Millennium bcp, providing instruments that help customers to save in a simple and direct manner, including a savings simulator, FAQ, financial calculator and weekly pointers; launching of the exclusive subscription through Internet of Poupança Objetivo and of Poupança Duodécimos.

Within the scope of SEPA, permanent support to Customers, complemented with commercial teams, to assist them while adopting the new ISO20022 standards, as per the provisions of the Regulation 260/2012 of the European Commission. At the same time, the Bank started to provide new services in the direct channels, particularly in its website, providing the companies with the means for the presentation and control of the new C2B batches and a new tool for the creation of Online Batches, paramount for the adoption of SEPA by the Customers, using with less technical means and enabling the customer to focus its attention on business.

Examples of developments in the website's information contents include the change of the supplier of information on investment funds (Mornigstar); the launching of theme files; the increase of the offer in terms of investment funds in the wake of an open architecture, providing funds from new international managing companies and the renewal and optimisation of the information contents in the investment area.

Concerning Mobile Banking, new tools were introduced, such as: the possibility of making term deposits via App, update of the investments App and launching of the new version of the App Millennium.

Millennium brand and communication with Customers

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 first half of 2014 featured the launch of a new positioning for Millennium bcp, built on the concept "for a New World / a New Millennium".

This promise was expressed in a major institutional campaign that serves as a turning point for the Bank, with a message reflecting our understanding that the world has change and that for this new world, there is a new Millennium. A Millennium that knows its customers, understands their (new) needs and behaviors, and offers solutions and products that respond to these new realities, for individual and business customers alike.

With the claim "For a new world, a new Millennium", the Bank starts a conversation with its customers, presenting them with an innovative attitude – that of a Bank that is closer and more available, a Bank that lives in and understands "now".

The Bank's institutional campaign marks the start of a new tone that will be apparent in future advertising campaigns, as well as more modern, simplified and attractive graphics.

Main awards received

During the first half of 2014, the Bank was awarded several prizes, of which we highlight the following:

- Distinction of Bank Millennium in Poland at the "2014 European Structured Products Awards" in the category of "Best Structured Products Distributor in Poland in 2013";
- Recognition of Millennium bim by consumers as "Best Brand of Mozambique" in the banking sector. The prize is awarded annually by the organisation of the Best Brands of Mozambique, a partnership between DDB and Intercampus;
- Election of Médis for the sixth time and fourth year in a row as Trusted Brand in the category of Health Insurance, by readers of Reader's Digest magazine;
- Recognition of the Millennium bim for his performance in the banking industry, having been awarded for the fifth consecutive year, the "Best Bank in Mozambique 2014", a distinction annually granted by Global Finance magazine;
- ActivoBank achieved first place in the Marktest Reputation Index 2014, in the Online Banking category;
- Millennium bcp awarded for Social Responsibility Best Practices in the category of External Social Responsibility, given by the Portuguese Association of Contact Centres.

MAIN EVENTS IN THE FIRST HALF OF 2014

JANUARY

- ActivoBank launched a new multi-media advertising campaign centered on the account opening process, eliminating the use of paper.
- A strong campaign for Portuguese companies was launched, announced on the covers of major general and economic daily newspapers, marked by the innovation of the financial offer.
- Launch by Bank Millennium in Poland of a unique solution that allows one to obtain credit and increase the limit of the credit card through a mobile application.
- Launch by Bank Millennium in Poland of the Rapid Withdrawal Credit product available to customers without the need to submit an income statement.

FEBRUARY

- On 19 February 2014, issue of Euro 500 million of notes, representing senior unsecured debt with a maturity of 3 years and a coupon of 3.375% per annum.
- Launch on 4 February 2014, of a service for Shareholders, Millennium bcp Acionistas, through which the Bank intends to strengthen its relationship with its Shareholders. Through this service, Shareholders of the Bank, in addition to having access to products and services of the Bank on preferential terms, can benefit from advantages and discounts agreed between the Millennium bcp and its commercial partners.
- On 14 February 2014, the exhibition "Amores" was opened by the Millennium bcp Foundation, presenting traditional Valentine's Day scarves of Viana do Castelo and the paint of Paula Rego "Scarf of Love".

MARCH

- On March 27, 2014, a "Millennium Companies Days" event was held in Caldas da Rainha, in order to be closer to Portuguese companies, supporting their internationalisation and strengthening competitiveness.
- Millennium bcp launched the Savings Center, an innovative service that brings together a set of tools and applications that help customers save by offering attractive solutions tailored to each customer's profile.
- Participation of Millennium bcp Microcredit in the Idea Lab, an initiative promoted by the European Microfinance Network in Brussels, aiming to develop innovative ideas in the field of Microfinance.
- Signing of a Protocol between the Calouste Gulbenkian Foundation, the Camões Institute for the Cooperation and Language, Millennium bim and the Millennium bcp Foundation which aims to support the treatment of cancer patients at Maputo Central Hospital in Mozambique.
- Opening by the Millennium bcp Foundation of an archaeology exhibition, "Pre-Classical Lisbon, a Mediterranean port on the Atlantic seaboard" at the Millennium Gallery on Rua Augusta in Lisbon.

MAY

- Agreement with the international insurance group Ageas for a partial recasting of the strategic partnership agreements entered into in 2004, which includes the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e., "Ocidental – Companhia Portuguesa de Seguros, S.A." and "Médis – Companhia Portuguesa de Seguros de Saúde, S.A.", subject to regulatory approval from the supervisory authorities, for a base price of 122.5 million euros, subject to a medium term performance adjustment;
- Repayment of Euro 400 million of CoCos subscribed by the Portuguese State, after having received authorisation from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios;

- Annual General Meeting of Shareholders of Banco Comercial Português, S.A. held on 30 May 2014 with 45.48% of the share capital represented. Among the main resolutions approved by the Annual General Meeting it is worth mentioning the approval of the Annual Report, Balance Sheet, and Individual and Consolidated Accounts for the year 2013, the approval of the proposed transfer of negative net income, on the individual balance sheet, to Retained Earnings, the election of the Statutory Auditors and their deputies for the triennium 2014/2016, the election of the Bank's External Auditor for the triennium 2014/2016, the alteration to the remuneration policy for members of the Executive Board and the change in equity capital through a reduction in capital stock;
- Millennium bcp held another Millennium Days for Companies event on 7 May 2014 in Leiria;
- Millennium bim inaugurated the Bank's new headquarters in Maputo on 16 May 2014;
- American Express helped the Ajuda de Berço charity for infants at risk with a multimedia campaign. Millennium bcp's American Express cardholders could help children supported by this institution by automatically donating one euro when using their card for the first time.

JUNE

- Announcement on 24 June of a rights issue of Millennium bcp, in the amount of approximately 2.25 billion euros. This operation is part of the Bank's strategic plan for 2017, which was approved by the European Commission in 2013 aiming to accelerate the repayment schedule of the State-subscribed hybrid capital instruments (CoCos), as well as to strengthen the capital position in order to comply with the statutory requirements;
- Completion of a new securitisation transaction ("Caravela SME No. 4") concerning a pool of leasing contracts to companies and sole-partnerships, amounting to 1 billion euros;
- Participation of Millennium Volunteers during the campaign to collect food run by the Banco Alimentar held on 1 June 2014 all over the country.

RESPONSIBLE BUSINESS

The strategy of Millennium bcp in the wake of Sustainability is translated in the Sustainability Master Plan (SMP), a plan of commitments that aggregates a number of actions to be carried out by the Bank in Portugal. The definition of the actions part of the SMP multiyear is based on a balanced relation between the identified material issues, the Bank's available resources and the economic and market framework existing at the time.

Thus, the activity developed by the Bank within the responsible business during the first half of 2014, and synthesized in this chapter reflects the concern of Millennium bcp in responding to the new Sustainability Master Plan 2014-2015, underway since the beginning of the year.

Sustainability Master Plan 2014 - 2015

Ethics and professional conduct	• Enhance the ties established between the employees and the Bank's Values • Foster a culture of compliance and a strict management of risk • Publish clear policies on the prevention of corruption, on health and safety issues, human rights and the protection of maternity
Service quality	• Implement and improve the satisfaction evaluation processes • Create mechanisms for the immediate detection and management of improvement opportunities in the services provided to Customers
Accessibilities	• Improve the implementation of differentiated working hours • Enhance and promote accessibilities for individuals with special needs
Proximity and reporting	• Enhance the proximity and involvement with the Bank's Shareholders • Improve the institutional report in the wake of sustainability • Make a consultation to identify the Stakeholder's expectations
Management of expectations	• Consult the Bank's Stakeholders to know and meet their expectations • Collect and implement ideas suggested by the Employees on Sustainability issues
Motivation	• Identify best performances at Client Service level • Support the adoption of healthy lifestyles • Improve the mechanisms ensuring a greater proximity between the Employees and top managers
Products and Services	• Consolidate the Bank's position in the micro credit market • Improve the negotiation and search for solutions able to meet increasing financial difficulties of the Customers • Promote and launch products that observe social responsibility principles and cope with the new environmental challenges
Share and promote awareness	• Institutionalize the donation of the Bank's furniture and IT equipment to institutions in need • Implemented social and/ or environmental awareness actions common to the entire Group • Launch a financial literacy program transversal to the Bank
Volunteer actions	• Structure a volunteering program for and with the participation of the Employees
Partnerships	• Develop campaigns together with nongovernmental organizations and charitable institutions to foster a sustainable development
Fundação Millennium bcp	• Improve the identity of Fundação Millennium bcp
Social and environmental risk	• Promote climate changes awareness near Corporate Clients developing their activities in sectors more exposed to risks and environmental regulations • Identify and classify Corporate Clients with greater environmental and social risks • Formalize compliance with social and environmental requisites in the relation established with Suppliers
Environmental performance	• Enhance the measures for the reduction of consumption • Implement measures aimed at the reduction of waste and the creation of a formal recycling process • Formalize and communicate Environmental Performance quantitative objectives

ETHICS AND PROFESSIONAL CONDUCT

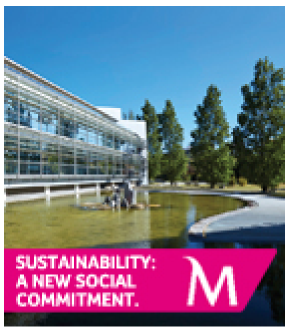
- Within the prevention and detection of potential situations of money laundering and financing of terrorism (ML/FT), Compliance Office held during the first half of 2014 its activity, through filtering operations, monitoring of operations, pre-validation of opening and maintenance of entities and accounts, pre-validation of credit operations, interaction with competent authorities and management of risk models of ML/FT.
- It was continued the training plan on themes involving the activity of the Compliance Office, having received training 1,106 Employees of Group, within the its activities and intervention in the various business areas, affecting the notice N. º 5/2013 of the Banco de Portugal who came to regulate the conditions, mechanisms and procedures necessary for the effective compliant of the duties of prevention ML/FT in the legal framework in force – law N. º 25/2008.
- In January 2014, held the 2nd international meeting of Compliance Officers of the BCP Group, with the aim of clarifying concepts and principles, alignment strategies and behaviors, with a view to promoting greater efficiency in the implementation of plans of action and the strengthening of the Internal Control System of the Group.
- Was published the Millennium Group's commitment within the Human Rights, through the formalization and consequent dissemination of the institutional document – Human rights Policy -.

SERVICE QUALITY

- Within the quality of Customer service, the Bank has continued its commitment in the pursuit of excellence has developed in the first half of 2014 the - Maximum Quality - programme, implemented in retail network with the goal of advancing the quality of service and enhance the positioning of Millennium bcp within the service provided. The program highlights and rewards the best individual and collective performances in attendance.

  Within this still was defined the 9 day of each month as - Quality Day -, day destined to disseminate news, videos about customer service, best practices and results obtained by commercial structure and per Employee.
- With the aim of improving business customer satisfaction with the site, continued to inquire about the various service attributes, with 89% of the respondents revealed to be satisfied or very satisfied and 95% have expressed intention to continue to use the services of the Millennium bcp Business Portal.
- Concerning safety, the Bank has continued its work in the communication of content from its Customers, alerting fundamentally for operations in remote channels and self-banking, with highlight to: i) Security dossier – a set of "tips" that allow you to transform the experience of - browse, use and socialize – in the Internet in a useful, fun experience and, above all, safe; ii) article CMBI – article that invites customers to perform various "missions" that let you know how your Computer, Mobile equipment, and Bank Information are safe; and iii) Online Security Forum of APB - collaboration with the Portuguese Association of Banks, in the publication of content to inform customers of security issues.

PROXIMITY AND REPORTING



- The Sustainability Report 2013 was published, in digital format the document intends to complement the chapter – Responsible Business – included in the annual report of the Bank, with the detail of the activities carried out throughout the year by all the BCP Group operations within the Sustainability.
- Published and promoted the document – Progress and Objectives 2013 - , which reports the activities developed by the Bank for fulfillment of his Master Plan for Sustainability.
- Millennium bcp in addition to periodically reporting public information in the context of sustainability responds to external and independent

entities, through the filling in exhaustive questionnaires in this matter. Collaboration in the report has not only allowed a comparison of performance between companies, such as integration in sustainability indexes.

In the first half of 2014 the Bank integrated the indexes: Euronext Vigeo Indices; Ethibel Sustainability Indices; STOXX Sustainability; and Ethibel EXCELLENCE Investment Register (statute).

- Under the contents of Sustainability, continued the work of the communications plan, focused on the frequency of communications:
  - External communication, through the regular update of the institutional site, Sustainability area and communications made on social networks, Facebook and YouTube.
  - Internal communication, through corporate channels of the Bank.

MOTIVATION

- In the first half of 2014 Millennium bcp assured 56,841 hours of training to its Employees, of which about one third in face-to-face format, which translates the Organization's effort to share knowledge and develop skills, and where necessary next trainees.

  The bet was on developing leadership and commercial skills, with emphasis on the program – GPSmove -, directed to Corporate networks, Corporate and Large Corporate with the goal of developing leadership skills at all levels of the hierarchical structure, and also to empower managers with negotiating techniques.

- Based on the premise that the proximity between Bank and Employees contributes to increase their motivation, was released the new site "People", an area allocated on the Bank's internal portal, intended to communicate a diverse set of content about Employees.

  Millennium bcp has sought to be always close: i) the Directions and all hierarchies helping in the management of its teams; and ii) of each Employee, informing him about their rights and duties and also how the organization can help him to grow as a professional and as a person.

- Millennium bcp sponsored the biggest competition of strategy and management worldwide - Global Management Challenge -, having counted on a total of 112 Employees enrolled, from 19 Directions and with very distinct pathways and functions at the Bank. Distributed in 23 teams, Employees had the opportunity to enhance the development of numerous technical and behavioural skills, decisive for the individual and collective success and, simultaneously, the possibility of interaction with colleagues and other participants.

PRODUCTS AND SERVICES

- A cooperation protocol was defined between American Express and "Ajuda de Berço", as part of a campaign of activation of credit cards AMEX, which is donated 1 euro for every activated cards to the "Ajuda de Berço", was also given opportunity to cardholders with Membership Rewards program to rebut the points accumulated by donations to the "Ajuda de Berço" in top condition to the previous.

- Credit cards issued by Millennium bcp - Visa/Mastercard and the Membership Rewards Program from American Express - have continued to encourage the social support, through loyalty programs, which allow you to swing the card points in donations to charities Institutions.

- Meeting the needs of investors who consider relevant contemplate in their investments, social and environmental risk factors, Millennium bcp has maintained available for subscription the social responsible investment funds (SRI), through the online platform of Millennium bcp and ActivoBank.

- In order to continue to support Customers in financial difficulties and avoid non-compliance, continued promotion of the Financial Monitoring Service (FMS).

  Under the FMS packages, were performed 19,349 contractual changes (6,994 home loans and 12,355 consumer credit), totaling a value of restructuring of 492 million euros (448 in home loans and 44 in consumer credit), with predominance of the introduction of grace periods and extension of term.

- Within Bank's cultural commitment, continued the partnership with ZON Lusomundo cinemas offering on the purchase of 1 ticket with one of the credit cards of Millennium bcp the second ticket to the same session.
- Remained the continuous promotion of adherence to Extract Digital, through various actions, with emphasis on:
  - actions via website, via email and/or sms implemented at specific times - Mobilize the preservation of Earth – and - world environment day - within the celebration of the world day of the Earth and the world environment day, respectively.

  Millennium bcp has already more than 800 thousand contributors of digital extract accounts, both for the reception of the combined extract, as receiving invoices/e release notes.
- Remained available minimum bank services account for Customers without any checking account in the banking system, and that seeks to reduce the enhancer's factors of social exclusion, particularly through the accessibility to a bank account, a debit card and the home banking service. Between openness and migration of accounts, were incremented 379 more accounts under these conditions.
- Within the entities that comprise the social sector, Millennium bcp has maintained available an Account to non-profit Associations, a checking account with special conditions, which does not require a minimum of openness and free maintenance committees and discovered. During the first half were opened 170 bills in these conditions, which correspond to a total of 2,409 accounts in wallet at the Bank.
- Within the protocol signed with the Institute of Employment and Professional Training and with mutual guarantee societies, continued support investment projects of creation of enterprises by unemployed with favorable financing conditions through specific lines of Credit - Line Microinvest and Invest Line +-. 35 operations were financed for a total funding of more than 1 million euros.
- A protocol was signed between Millennium bcp, the Institute of Employment and Professional Training, to António Sergio Cooperative for the Social Economy and mutual guarantee societies, which defines a line of credit – Social Invest – in order to support Social Economy, amounting to 12.5 million euros, aimed at supporting entities forming part of the social sector. Operations were financed amounting to approximately 250 thousand euros.
- In the context of support to agriculture and fisheries, remained the availability of funding under the protocol concluded with the Institute of Funding Agriculture and Fisheries, through credit lines – PRODER/ PROMAR and IFAP Curto Prazo -. Were achieved 65 operations, with a value of funded more than 3.5 million euros.
- Under the Protocol signed between Millennium bcp and the Turismo de Portugal, kept the line of credit that allows companies to invest in refurbishment projects of tourist complexes and creation of new enterprises, catering establishments and animation activities, having been funded a total value of more than 5.4 million euros.
- Under the protocols concluded with IAPMEI, the PME Investimentos (managing Entity of the line) and mutual guarantee societies, to support investment projects or increased working capital, remained the line PME Crescimento. 1,980 operations were financed, with total lending of more than 94 million euros.
- Continued financing line – INVESTE QREN - under the protocol signed with the Portuguese State through the Financial Institute for Regional Development and mutual guarantee societies, for, in the context of the current economic climate, support companies in access to bank credit, to bridge cash-flow needs and to implement the respective investment projects. Were financed operations totaling more than 786 thousand euros.
- Within the promotion and dissemination of the microcredit product, kept the effort in bringing the Bank to the entrepreneurs, through various initiatives, with emphasis on:
  - Cooperation protocol between Millennium bcp and the Regional Government of the Azores, which aims to provide a specific line of microfinance, which promotes entrepreneurship and the creation of self-employment;
  - With the support of Millennium bcp and the European Union, the European Microfinance Network (EMN) held its 11th Annual Conference in Lisbon on 19 and 20 June

on the theme "Employment: challenges and opportunities for Microfinance";

- Under the agreement with Acountia, participation in the seminars "How to take advantage of the Economic Recovery";
- Protocol with the City Councils of Angra do Heroísmo and Ribeira Grande;
- Participation in the Workshop "Microfinance solutions for business initiatives", promoted by the Portuguese Industrial Association;
- Participation of an Employee of the Microcredit Department of Millennium bcp in the Idea Lab, an initiative promoted by the European Microfinance Network (EMN) in Brussels, with the objective of developing innovative ideas in the area of microfinance.

As a result of the work carried out in the first half of 2014, Microcredit of Millennium bcp adopted the financing of 186 new operations, with a total credit of 2.17 million euros and 319 new jobs created. The volume of credit granted to 1,008 portfolio operations, until June 30, 2013, was 7.86 million euros.

SHARE AND PROMOTE AWARENESS

- Within the management of obsolete computer equipment and office furniture, in conditions of reuse, Millennium bcp has given continuity to the donation of the same to nonprofit entities. Were delivered more than 2,358 pieces.
- Millennium bcp supported the 6th Edition of the "Festival ao Largo", a set of performances with symphonic music, Opera and Ballet in the outside of São Carlos theatre, in Lisbon. Support for artistic creation, the multiplication of audiences through the free sharing of playful and creative way.
- In January 2014 were delivered more 33 paper boxes to the Banco Alimentar, within the campaign – Paper for food – allowing to convert the paper delivered in foodstuffs. The action, driven by "DBD - Direct Banking Direction" reflects the involvement with the internal and external community, revealing the principles of solidarity and strong environmental commitment that move Millennium bcp's Employees.
- Millennium bcp has, during some periods, provided to Social Solidarity Institutions its space on Tagus Park for the fundraiser. In the first half of 2014 were near the refectory (space with greater flow of Employees), among other entities: the Portuguese Association of support Woman with breast cancer, the movement to the service of life and the CERCI of Oeiras.
- Within the culture, the Bank has renewed its support with the SPA – Sociedade Portuguesa de Autores (Portuguese Society of Authors) -, stimulating the work not only of the Portuguese authors with work recognized and consecrated but also of those who find themselves at the beginning of their careers.

- The Bank's Direct Banking Direction (DBD) was awarded the best practice Award for Social responsibility, assigned by the Portuguese Association of Contact Centers, the prize recognizes the work carried out by the direction and the response of Employees within the social commitment of the Bank.
- Within financial management, Millennium bcp has contributed to increase the levels of financial knowledge and adoption of adequate banking behaviors, helping in the management of the family budget:
  - Remained encouraging subscription tool – Gestor de Finanças (Finance Manager) - via website and App Millennium, a facilitating instrument on expenditure management and planning of savings;
  - The Facebook page – Mais Millennium – continued to share contents related to financial planning, among others.
  - Launched the - Centro de Poupanças Millennium (Millennium Savings Centre) -, a new area accessible through the Web site that offers tools to help customers save simple and straightforward manner.

- Millennium bcp has joined the Movimento ECO 2014 - Companies Against Fires, a project that aims to contribute to the prevention of forest fires and raise public awareness to risk behaviours.

VOLUNTEER ACTIONS

- Continued collaboration with the Junior Achievement Portugal, in the development of its programmes aimed at entrepreneurship, risk-taking, creativity and innovation through: i) exclusive sponsorship of the Fundação Millennium bcp to StartUp Programme (7th Edition), aimed at University students; and ii) of Millennium bcp, in support of programmes for basic and secondary education.

  In the school year 2013/2014, around 100 volunteers of Millennium bcp accompanied more than 1,700 students in various programs of Junior Achievement Portugal.

- Was given continuation of voluntary action involves the participation of Employees and their families in the campaign to collect food from Banco Alimentar. Together, about 100 volunteers, including Employees and their families, contributed in solidarity in various warehouses in the country, helping in the process of weighing, separation and storage of donated products.

PARTNERSHIPS

- The Bank has remained close to the Universities, creating conditions for realization of traineeships. During the first half 17 students had the opportunity to put into practice the knowledge acquired through the realization of a curricular internship, each trainee was accompanied by an experienced tutor that tutored and guided in their learning process.

  Also the 30 summer internships that Millennium bcp will provide on the second half fall in the strategy of articulation of academic life with professional life, stimulating the acquisition of important knowledge for future professional life of students, regardless of which path to go.

- Participation in the 2014 Edition – Marenostrum -, regional initiative of CEMS - Global Alliance in Management Education - International Organization that brings together business and academic institutions from around the world with the aim of forming and prepare future generations of global leaders. Millennium bcp participated with two initiatives: a Skills Seminar on Trade Skills dedicated to the theme "Top Skills to Close the Deal" and a Plenary Session on Social Media.

- Within the participation in 2013 in the - Movement for Employability - program promoted by the Institute of Employment and Professional Training in partnership with the Fundação Calouste Gulbenkian and COTEC - Business Association for innovation, were active in the first half of 2014, 99 professional internships.

  The bet of Millennium bcp for these stages are an enriching experience for young people, reflects the concern of the Bank on its social responsibility, which takes the Organization to be a company promoter of the Movement for Employability.

FUNDAÇÃO MILLENNIUM BCP

In the first half Fundação Millennium bcp maintained its activity focused in the generation of benefits to the society through collaboration with projects aimed at widening access to culture, to education and to promote social inclusion.

Within the Culture, highlight for: i) Conservation and Disclosure of Bank Heritage - maintenance and management of guided tours of Archaeological Nucleus of Rua dos Correeiros, received 6,300 visitors; ii) Galeria Millennium (Millennium Gallery), with several temporary exhibitions - exhibition of roadmap Atmosphere – shows Boguslaw photography Kott, on display between 12 February and 5 March, received 1,105 visitors. Lisbon: a Mediterranean port that flourished on the Atlantic seaboard, on display between 14 March and 31 May, received 6,000 visitors. Exhibition that sardines are you? In partnership with EGEAC, on display from 18 June to 13 September; and iii) Promotion of museological activities and other cultural initiatives – Palácio Nacional da Ajuda, conservation and restoration of the Royal Chapel. Museu Nacional de Arte Antiga (MNAA), recovery of the covers of the chapel of Albertas. Museu Nacional do Azulejo (Mnaz), D. Manuel Room requalification, the convent of the mother of God. Museu Nacional de Arte Contemporânea, Chiado Museum (MNAC). José Malhoa Museum, Caldas da Rainha. Museu Nacional de Faro.

In the field of Education, highlight to the scholarship program of the Fundação Millennium bcp, aimed at students from Portuguese-speaking African countries and East Timor, partnership with the Millennium bim for the award of scholarships to Mozambican students with economic need and academic merit, to the Protocol with the Millennium Angola to the Angolan graduate scholarship program, the masters in Legal Sciences College Policies Eduardo Mondlane in Mozambique, the "Master of Laws" of the Faculdade de Direito da Universidade Católica Portuguesa, the scholarship "The Lisbon Consortium" of the Faculty of Humanities of the Universidade Católica Portuguesa, Lisbon MBA scholarships of Universidade Nova de Lisboa and Universidade Católica Portuguesa and supporting postgraduate courses of the Institute for banking lawstock and insurance. In the context of support for Entities, the continuity of the following partnerships: i) Institute of Molecular Medicine, in supporting a set of research initiatives for the treatment of brain tumors and the award of prizes to scientific papers, at the meeting of the international biomedical sciences doctoral program; ii) Hospital League of friends of Santa Marta, supporting the development of the project for the investigation of cases of congenital cardiopathy, in collaboration with the Faculty of medical sciences of Lisbon and with the involvement of Harvard University; and iii) platform for sustainable growth, a project that aims to create a model of sustainable development, with a view to competitiveness.

Within the solidarity, we can highlight the support granted to the following entities: i) Banco Alimentar Contra a Fome, through the support of the cost of production of bags for food collection campaigns; ii) Centro Doutor João dos Santos - therapeutic summer camp; iii) BUS Association, Social Utility Goods, activities; iv) Portuguese Association for large families - national congress and municipal observatory; and v) Portuguese Foundation of Cardiology – activities "May month of the heart".

Environmental performance

- Within the environmental management, Millennium bcp launched on international day of Energy an internal campaign to reduce consumption, in particular electricity and water, with the aim of sharing information on what has been doing to make the management of these resources more efficient, but also to encourage the adoption of behavioral practices which make it possible to rationalize its use.

  The initiative, still in progress, is materialized, among other communication initiatives, on decals located in Branches and Central Buildings warning for the consumption of water and electricity and reinforces the importance of individual contribution for its optimization.

  The campaign will be extended to other consumables, and early in the 2nd semester, starts a stage dedicated to paper consumption. Thus, the stickers set to display in the Bank printers seek to raise awareness of the need to rationalize the use of prints.

- There was continuity to the - Green IT- program, pivoted by the Direction of Informatics and Technology comprises a set of actions aimed at a correct management of resources by identifying and putting in place a series of measures and solutions which result in environmental and technological gains. Within its communication plan, highlighted by regular publications and awareness - raising actions on environmental issues.

  As a result of this program and a policy of permanent adjustment of the resources available to functional needs, it has been possible to consolidate the use of webcasting tools and significantly reduce the number of local prints in this Direction.

BCP SHARES

PERFORMANCE OF BCP SHARES

The first half of 2014 was positive for the European and USA stock markets although the deceleration verified in the Chinese economy and in some emerging markets penalized the Asian economies. In Europe, the progressive decrease in the sovereign debt yields, together with the decrease to historical minimum levels of the reference rate of the European Central Bank, played a positive role in the performance of the capital markets, bolstering the investors' trust and the demand for higher risk assets in search of a potentially higher return.

The domestic reference index – PSI20 - showed a positive performance and increased 3.7% during this period, benefiting from an improvement in the macroeconomic framework that paved the way to a return to the markets.

BCP Shares indicators

	Units	1H14	1H13
Prices			
Maximum price	(€)	0.2358	0.1150
Average price of the 1st half	(€)	0.1969	0.1010
Minimum price	(€)	0.1585	0.0770
Closing price	(€)	0.1909	0.0960
Shares and equity			
Number of ordinary shares	(M)	19,707	19,707
Shareholder's Equity attributable to the group	(M€)	2,660	2,785
Shareholder's Equity attributable to ordinary shares (1)	(M€)	2,489	2,613
Value per share			
Adjusted net income (EPS) (2) (3)	(€)	-0.01	-0.05
Book value	(€)	0.13	0.13
Market indicators			
Closing price to book value	(PBV)	1.50	0.72
Market capitalisation (closing price)	(M€)	3,762	1,892
Liquidity			
Turnover	(M€)	4,149	1,935
Average daily turnover	(M€)	33.2	15.5
Volume	(M)	21,181	19,188
Average daily volume	(M)	169.4	153.5
Capital rotation (4)	(%)	107.5	97.4

(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 semester average number of shares issued

During the first six months of 2014, the BCP share was the Portuguese bank's security with the highest percentage valuation (+14.7%) and the PSI20 security, amongst companies with market capitalization above 1 billion Euros that valued the most. The performance of the BCP share during this period of time went through several stages. From January until the beginning of April, the share recorded a significant rise due to the improvement in the Portuguese macroeconomic environment. On 19 February, the Bank returned to the debt placement markets with an issue of senior debt amounting to 500 million Euros.

May proved to be less positive for the BCP share. The positive impact due to the end of the economic and financial adjustment program and the approval by the Council of Ministers of the law relating to the deferred taxes assets weren't able to compensate the effects of the rumours concerning an eventual share capital increase that negatively influenced the performance of the share and originated a turnaround in the gains previously recorded. At the end of June, the announcement of the Bank's share capital increase originated a significant rise in the price of the share and the month closed showing the positive effect originated by its admission in the MSCI index.

Índex	Change 1H14
BCP share	14.7%
PSI Financials	-13.9%
PSI20	3.7%
IBEX 35	10.2%
CAC 40	3.0%
DAX XETRA	2.9%
FTSE 100	-0.1%
MIB FTSE	12.2%
ATHENS FTSE	1.9%
Eurostoxx 600 Banks	-1.0%
Dow Jones Indu Average	1.5%
Nasdaq	7.2%
S&P500	6.1%

Source: Euronext, Reuters, Bloomberg

LIQUIDITY

During the first half of 2014, the liquidity of the BCP share increased significantly, maintaining its position as one of the most traded shares on the Portuguese market and on the domestic financial sector.

Approximately 21.181 million BCP shares were traded, representing an increase of 41% in relation to the previous semester and corresponding to an average daily volume of 169 million shares (116 million in the previous semester). The capital rotation continued to be very high in comparison with all the other PS120 companies, corresponding to 107% of the annual average number of issued shares (76% in the previous semester).

INDICES IN WHICH BCP SHARES ARE LISTED

BCP shares are listed in over 50 national and international stock market indices, in particular the following: Euronext PSI Financial, PSI 20, Euronext 150, NYSE Euronext Iberian and Euro Stoxx Banks. As at the end of June, the Bank was also placed in the MSCI index.

Furthermore, at the end of the first half of 2014, Millennium bcp was also included in following sustainability and social indices: Euronext Vigeo Indices, Ethibel Sustainability Indices, STOXX Sustainability and the status of Ethibel EXCELLENCE Investment Register.

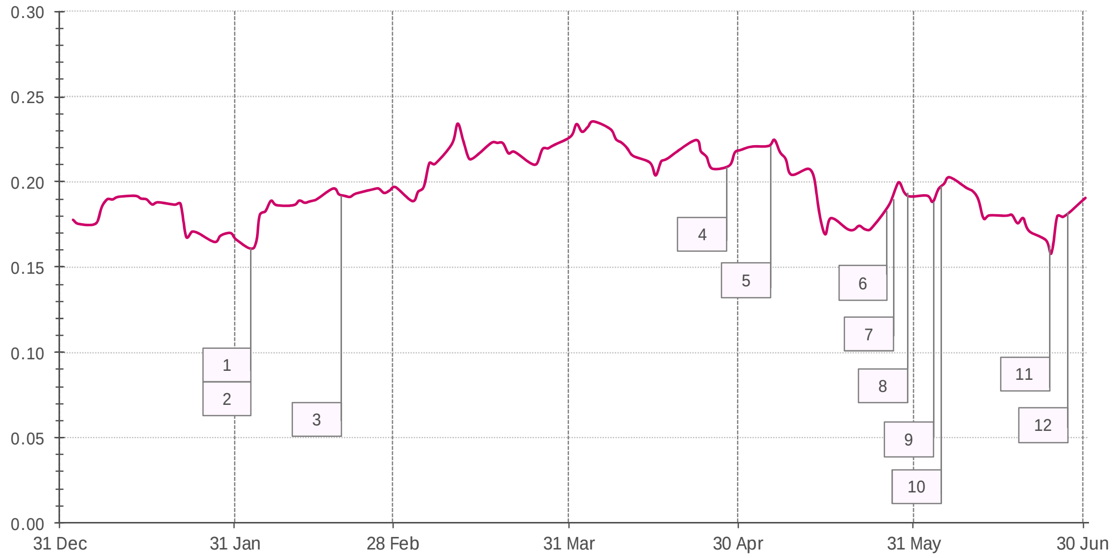
Sustainability Indices

Material information and impact on the share price

The table below summarises the material information directly related to Banco Comercial Português that occurred during the first six months of 2014, the net change of 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.

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. DJS Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs DJS Banks (5D)
1	03 February 2014	Bank Millennium (Poland) Consolidated Results in 2013	11.8%	10.2%	10.7%	15.4%	10.6%	11.9%
2	03 February 2014	Consolidated Earnings Presentation 2013	11.8%	10.2%	10.7%	15.4%	10.6%	11.9%
3	19 February 2014	Senior unsecured debt issue in the amount of 500 million euros	-0.3%	0.0%	0.0%	0.9%	0.1%	1.1%
4	28 April 2014	Bank Millennium (Poland) results in the 1st quarter of 2014	3.7%	2.5%	1.6%	5.5%	3.3%	4.3%
5	05 May 2014	First quarter of 2014 consolidated results	1.6%	1.2%	2.4%	-6.1%	-4.2%	-5.9%
6	26 May 2014	Sale of 49% in the Non-Life Insurance Business	3.8%	2.8%	3.4%	3.7%	1.3%	2.8%
7	27 May 2014	Reimbursement to the Portuguese State of €400 million of CoCos	4.0%	2.9%	3.3%	-2.0%	-2.9%	-1.8%
8	30 May 2014	Resolutions of the Annual General Meeting	0.3%	-0.4%	0.1%	5.9%	2.6%	3.7%
9	03 June 2014	Registry of the share capital	3.9%	3.4%	3.6%	3.4%	-1.1%	0.1%
10	05 June 2014	Achievement of a new synthetic securitization transaction	1.9%	0.4%	0.2%	-10.2%	-10.5%	-11.1%
11	24 June 2014	Approval of rights offering and update of the strategic plan	13.6%	12.6%	14.7%	52.9%	53.1%	54.1%
12	27 June 2014	Publication of the roadshow presentation of the rights issue	4.9%	5.7%	5.6%	9.3%	9.7%	8.0%

The following graph illustrates the performance of BCP shares during the first half of 2014:



Dividend Policy

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

In accordance to the announced at the share capital increase transaction concluded last month of July, the Bank intends to reunite the conditions to anticipate the return to a new steady state, which comprehends the distribution of dividends. It's expected that the new Bank's steady state, which should be achieved from 2017, consists of operating with a CET 1 ratio at 10% (fully implemented), achieving a ROE of 15% and establishing a dividend pay-out ratio policy of 50%.

Monitoring of Investors and Analysts

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

During the first half of 2014, all the investment houses that monitor BCP revised their price targets upwards which resulted in a significant increase in the average price target. The economy's recovery signs, the exit from the Portuguese economic and financial adjustment programme, the approval of legislation concerning DTA's, besides the improvement of the Bank's earnings estimates and increase in confidence for the ability to implement its Strategic Plan contributed to this behaviour.

The Bank participated in several events during the semester, having attended 7 conferences and 6 roadshows in Europe and USA, where it made institutional presentations and held one-to-one meetings with investors.

As a whole, during the first half of 2014, 376 meetings were also held with an equity analysts and investors and it should be noted that this is a record figure, demonstrating the significant increase of interest shown by investors in relation to the Bank.

Treasury Shares

As at 30 June 2014, Banco Comercial Português, S.A. did not hold any treasury shares. During the first six months of 2014, the Bank neither purchased nor sold treasury shares. Thus, as at 30 June 2014, Banco Comercial Português, S.A. continued not to hold any treasury shares.

However, and merely for book-keeping purposes, as at 30 June 2014, this heading includes 100,944,752 shares (76,664,387 shares as at 31 December 2013) held by Customers whose acquisition was financed by the Bank. Considering that for these Customers there is evidence of impairment, pursuant to IAS 39, the Bank's shares held by these Customers were, in observance of this standard, considered as treasury shares.

Shareholders Structure

According to information from Interbolsa, as at 30 June 2014, the number of Shareholders of Banco Comercial Português totalled 175,253. The Bank's shareholder structure continues extremely dispersed, where merely six Shareholders own qualifying stakes (over 2% of the share capital) and only one Shareholder holds a stake above 5%. Particular reference should be made to the increased weight of Institutional Investors, which accounted for 25.5% of the share capital at the end of the first half of 2014 (20.9% at the end of the first half of 2013).

Shareholder strcucture	Number of Shareholders	% of share capital
Group Employees	3,291	0.44%
Other individual Shareholders	167,092	33.71%
Companies	4,242	40.31%
Institutional	628	25.54%
Total	**175,253**	**100.00%**

Shareholders with over 5 million shares represent 66% of the share capital. There was an increase of the weight of the foreign shareholders, year on year, which represented 49.7% of the shareholders capital, at the end of the first half of 2014 (41.2% at the end of the first half of 2013).

Number of shares per Shareholders	National Shareholders		Foreign Shareholders	
	Number	% of share capital	Number	% of share capital
> 5,000,000	95	18.11%	94	47.97%
500,000 a 4,999,999	2,041	11.20%	135	0.99%
50,000 a 499,999	22,596	14.98%	761	0.58%
5,000 a 49,999	60,213	5.35%	1,503	0.14%
< 5,000	84,813	0.65%	3,002	0.02%
Total	**169,758**	**50.29%**	**5,495**	**49.71%**

QUALIFYING HOLDINGS

As at 30 June 2014, the following Shareholders held 2% or more of the share capital of Banco Comercial Português, S.A.:

			30 June 2014
Shareholder	**Nr. of shares**	**% of share capital**	**% of voting rights**
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.	127,352,715	0.65%	0.65%
Members of the management and supervisory bodies	41,242	0.00%	0.00%
Total of Sabadell Group	**847,628,005**	**4.30%**	**4.30%**
EDP -Imobiliária e Participações, S.A	395,370,529	2.01%	2.01%
EDP Pensions Fund	149,456,585	0.76%	0.76%
Members of the management and supervisory bodies	14,657,727	0.07%	0.07%
Total of EDP Group	**559,484,841**	**2.84%**	**2.84%**
Interoceânico - Capital, SGPS, S.A.	412,254,443	2.09%	2.09%
ALLPAR SE	99,800,000	0.51%	0.51%
Members of the management and supervisory bodies	1,697,997	0.01%	0.01%
Total of Interoceânico Group	**513,752,440**	**2.61%**	**2.61%**
Fundação José Berardo	346,799,091	1.76%	1.76%
Metalgest - Sociedade de Gestão, SGPS, S.A.	118,527,150	0.60%	0.60%
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	**465,439,099**	**2.36%**	**2.36%**
Alken Luxembourg S.A.	**459,710,154**	**2.33%**	**2.33%**
Total of Alken Luxembourg Group	**459,710,154**	**2.33%**	**2.33%**
Total of Qualified Shareholders	**6,676,601,942**	**33.88%**	**33.88%**

The voting rights referred to above are the result of the direct and indirect stakes of Shareholders in the share capital of Banco Comercial Português. No other imputation of voting rights foreseen in article 20 of the Securities Code was communicated or calculated.

QUALIFYING HOLDINGS AFTER THE SHARE CAPITAL INCREASE

24 July 2014

Shareholder	Nr. of shares	% of share capital	% of voting rights
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	10,534,115,358	19.44%	19.44%
Total of Sonangol Group	**10,534,115,358**	**19.44%**	**19.44%**
Bansabadell Holding, SL	2,644,643,445	4.88%	4.88%
BANCO DE SABADELL, S.A.	350,219,968	0.65%	0.65%
Total do Grupo Sabadell	**2,994,863,413**	**5.53%**	**5.53%**
EDP -Imobiliária e Participações, S.A	1,087,268,954	2.01%	2.01%
EDP Pensions Fund	373,431,822	0.69%	0.69%
Members of the management and supervisory bodies	66,314,072	0.12%	0.12%
Total of EDP Group	**1,527,014,848**	**2.82%**	**2.82%**
Interoceânico - Capital, SGPS, S.A.	1,160,649,296	2.14%	2.14%
ALLPAR SE	162,460,000	0.30%	0.30%
Members of the management and supervisory bodies	5,610,890	0.01%	0.01%
Total of Interoceânico Group	**1,328,720,186**	**2.45%**	**2.45%**
BlackRock	1,308,152,656	2.41%	2.41%
Total of BlackRock	**1,308,152,656**	**2.41%**	**2.41%**
Alken Luxembourg S.A.	1,264,212,923	2.33%	2.33%
Total of Alken Luxembourg Group	**1,264,212,923**	**2.33%**	**2.33%**
Ageas Insurance International, N.V.	437,113,737	0.81%	0.81%
Ocidental - Companhia de Seguros de Vida, S.A.	652,087,518	1.20%	1.20%
Total of Ageas	**1,089,201,255**	**2.01%**	**2.01%**
Total of Qualified Shareholders	**20,046,280,639**	**36.99%**	**36.99%**

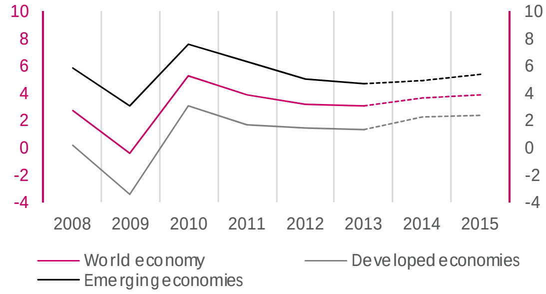
ECONOMIC ENVIRONMENT

GLOBAL ECONOMIC ENVIRONMENT

According to the IMF, global activity growth has been strengthening, predictably to 3.6% in 2014, due to the greater contribution of the most developed economies, namely the US (despite the weakness in the first quarter), where a more dynamic labor market is being reflected positively on consumption. After two years of recession, activity in the euro area is set to start growing again based on the recovery of domestic demand, which is being supported by a loosening of the fiscal policy stance. More adverse financial conditions and the effects of some structural deficiencies should confine the GDP growth of the emerging economies to a pace below 5%. In China, the forecast expansion of 7.5% for the current year is in line with the government's target. The IMF has identified downward risks to global activity, such as the worsening of geopolitical tensions and the potentially adverse effects of the low inflation levels in the most advanced economies.

GLOBAL ECONOMIC GROWTH REMAINS MODERATE

Annual growth rate of real GDP (in %)

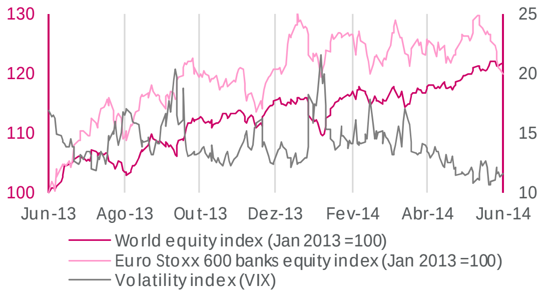


Source: IMF WEO (April 2014)

GLOBAL FINANCIAL MARKETS AND MONETARY POLICY

In the financial markets, the first six months of the year were characterized by the expressive appreciation of the main equity indices in the US and Europe. This evolution reflected the more favourable expectations regarding the expansion of corporate activity, but also benefited from the monetary policy accommodation of the main central banks. The environment of abundant liquidity and low interest rates were instrumental to the intensification of the downward trajectory of the yields on the public debt of the Southern European countries, including Portugal, enabling the latter to forego the credit facilities of the European Stability Mechanism after the conclusion of the Economic and Financial Adjustment Program. The appreciation of the emerging market assets has been modest, but still positive for the whole first half of the year.

EXPANSIONARY MONETARY POLICIES SPUR FINANCIAL MARKETS



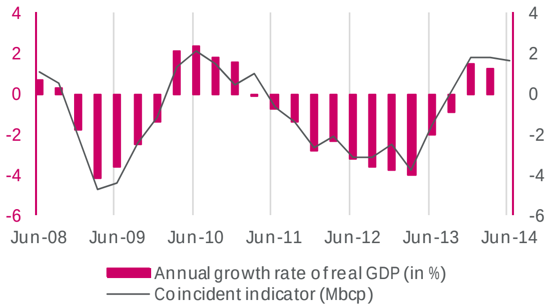
Source: Bloomberg

In June, the ECB reduced its key interest rates and announced additional liquidity measures to the banking system, this time conditioned upon the expansion of lending to the economy. These initiatives aim at stimulating the credit and, in this way, halt the disinflationary pressures stemming, to a great extent, from the financially restrictive context that still affects the countries in South Europe and which materializes in elevated real interest rates in these economies. The more accommodative stance of the ECB, together with improving economic conditions in the euro area's periphery have been mitigating the fragmentation of the banking system in the 18-countries zone and, consequently, promoting the convergence of interest rates within the EMU. In contrast to the other main central banks, which maintained their quite expansionary monetary policy stance, the US Federal Reserve has been reducing its monthly debt securities purchases program with the goal of normalizing its monetary policy. The widening of the yield differential between the American and German government bonds reflected the different positioning of the respective central banks.

OUTLOOK FOR THE PORTUGUESE ECONOMY

According to Statistics Portugal, the annual growth rate of the Portuguese GDP decreased from 1.5% in the fourth quarter of 2013 to 1.3% in the first quarter of 2014. This slowdown stemmed from the deterioration of the contribution of net exports, since the domestic demand, both in what concerns private consumption and the gross formation of fixed capital continued to recover. The main activity indicators pertaining to the second quarter suggest a robust performance of services exports, durablegoods consumption and some components of investment, developments that point to the sustainability of the Portuguese economy recovery trajectory, albeit at a relatively slow pace.

PORTUGUESE ECONOMY CONTINUES TO RECOVER IN 2014



Source:Datastream and Millenniumbcp

INTERNATIONAL OPERATIONS

For 2014, the IMF forecasts a considerable acceleration of activity in Poland (3.1%) and a slowdown in Romania (2.2%). In both cases, domestic demand should supplant exports as the main contributor to growth. Notwithstanding the worsening of the tensions in Ukraine, both the Zloty and the Leu remained stable, which combined with the benign inflation expectations in both countries should allow the respective central banks to keep an expansionary monetary policy stance.

According to the IMF, the Mozambican economy should grow at a robust 8.3% yearly pace in 2014, supported by the foreign direct investment associated to the exploration of natural resources and the infrastructure development, in a context in which inflation remains controlled around the government's target of 5.6% for 2014.

In Angola, the slowdown in the oil activity has been compensated by the greater vigor of public investment. Thus, the IMF expects a slight acceleration of the Angolan GDP from 4.1% in 2013 to 5.3% in 2014, in a context of gradual reduction of the inflation rate towards levels around 8%.

GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

	'11	'12	'13	'14	'15
European Union	1,7	-0,3	0,2	1,6	1,8
Portugal	-1,3	-3,2	-1,4	1,2	1,5
Poland	4,5	1,9	1,6	3,1	3,3
Romania	2,2	0,7	3,5	2,2	2,5
Sub-Saharan Africa	5,5	4,9	4,9	5,4	5,5
Angola	3,9	5,2	4,1	5,3	5,5
Mozambique	7,3	7,2	7,1	8,3	7,9

Source: IMF WEO Database (April 2014)

IMF estimate

Main Risks and Uncertainty

Risk	Sources of Risk	Risk Level	Trend	Interactions
		ENVIRONMENT		
Regulatory	▪ Impact of the new regulations on institutional activity, which may affect entities with less resources ▪ CRD IV: Higher capital requirements and greater comprehensiveness of the risks covered by the international framework of financial regulation ▪ Single Supervisory Mechanism	**High**	↔	▪ Law proposal on DTAs and respective impact on CRD IV / CRR ratios in fully loaded ▪ Complete assessment of the main banks by the ECB/Stress Tests ▪ Implications in bank business models
Fragmentation	▪ Interaction between sovereign credit risk and bank credit risk ▪ Banking Resolution and Recovery Directive (BRRD) ▪ Prospects of maintaining inflation at levels below the ECB objective	**High**	↓	▪ Eventual delays in the implementation of the Banking Union ▪ Deepening of mechanisms for resolution and deposit guarantees of banks. ▪ International interbank markets continue to operate deficiently ▪ Difficulties in access to external funding / high risk premiums in periphery countries under pressure ▪ Conduct of monetary policy in the euro zone
Sovereign	▪ Fiscal consolidation / austerity measures to compensate the rejection by the Constitutional Court / proximity of parliamentary elections ▪ Correction of the disequilibrium of the current and capital balance ▪ Implementation of structural reforms / proximity of parliamentary elections ▪ Regular access to international funding markets	**High**	↓	▪ Confidence of internal economic agents ▪ Reduction of household disposable income versus the momentary relief of taxes related to the elections cycle / income tax reform ▪ Increased default ratios ▪ Reallocation of resources to tradable goods sectors ▪ Macroeconomic outlook in the main trading partners ▪ Recovery/growth of GDP ▪ Confidence of international investors
		FUNDING AND LIQUIDITY		
Access to WSF markets	▪ Impact on investors' confidence of the problems related to GES Group / BES ▪ Pricing of debt instruments and cost of funding ▪ Pressure on LT ratings	**Medium-level**	↓	▪ Volatility of cost of funding ▪ High dependence on ECB funding ▪ Credit financing almost entirely through balance sheet customer funds ▪ Open and regularly operating markets ▪ Banking Resolution and Recovery Directive (BRRD)

Risk	Sources of Risk	Risk Level	Trend	Interactions
		FUNDING AND LIQUIDITY		
Funding structure	▪ WSF markets continue operating irregularly ▪ Loss of eligibility of debt backed by the State ▪ Alteration of ECB rules on collateral	**Medium-level**	↔	▪ Macroeconomic restrictions: deleveraging of internal economic agents ▪ De-risking ▪ Increased weight of balance sheet customer deposits and funds in the funding structure ▪ Progressive replacement of the funding obtained from the ECB by WSF market issues
		CAPITAL		
Credit risk	▪ Asset quality review ▪ Asset quality ▪ Maintenance of a high level of cost of risk	**High**	↓	▪ Evolution of individual disposable income / level of indebtedness of individuals ▪ Maintenance of a high unemployment rate ▪ High leveraging of companies ▪ Exposure to problematic sector
Market risk	▪ Volatility in capital markets ▪ Effective hedging ▪ Adverse behaviour in the real estate market	**Medium-level**	↔	▪ GES Group / BES problems ▪ Uncertainty in markets ▪ Monetary policies of the different Central Banks ▪ Profitability of the pension fund ▪ Reduction of earnings from trading ▪ High dependence on ECB funding
Operating risk	▪ Pressure to cut operating costs	**Medium-level**	↔	▪ Simplification of processes ▪ Deterioration of controls ▪ Increased risk of fraud ▪ Business continuity
Concentration and interest rate risk	▪ Historically low interest rates ▪ High concentration in terms of credit-risk	**Medium-level**	↔	▪ Low interest rates contribute to lower default but exert pressure on profitability ▪ Need to reduce the weight of the main Customers in the total credit portfolio
Reputation, legal and compliance risk	▪ Inherent to the Group's activity	**Medium-level**	↔	▪ The negative opinion of the public or sector could adversely affect the capacity to attract Customers (in particular depositors) ▪ Possible Customer claims ▪ Possible penalties or other unfavourable procedures arising from inspections ▪ Instability of the regulatory environment applicable to financial activity ▪ AML rules and against the financing of terrorism
Profitability	▪ Net interest income ▪ Regulatory pressures on fees and commissions ▪ Asset quality / impairments ▪ Eventual extraordinary contributions to the Resolution Fund	**Medium-level**	↓	▪ Low interest rates place pressure on net interest income ▪ Reduction of new production of mortgage loans with low spreads ▪ Cost related to CoCos / CoCos repayment ▪ Negative impact of the liability management operations carried out in 2011 on net interest income ▪ Need to continue to decrease the spreads on term deposits ▪ Possible sale of Novo Banco below the capitalization value

INFORMATION ON TRENDS

Continued efforts to adjust imbalances over decades, including the structural correction of public finances and external accounts and reallocation of resources towards the tradable goods and services sectors, are an essential condition for the Portuguese economy to regain full access to market funding but may significantly constrain the Portuguese economy in 2014.

The Portuguese economy faces low inflationary pressures, reflecting weak domestic demand, high unemployment, wage moderation, and a fall in prices of raw materials and import prices. Recent indicators suggest that a gradual process of economic recovery is underway; projections for 2014 from various entities (the Portuguese government, Banco de Portugal, IMF and the Organisation for Economic Co-Operation and Development) show a moderate recovery in 2014. However, there remains uncertainty about the possible impact of new austerity measures on disposable income and domestic demand contained in the state budget for 2014.

The economic recession, reduction in disposable income, the increase in unemployment, and rising corporate defaults have resulted in the deterioration of the quality of the loan portfolio of Portuguese banks. The ratio of credit risk will continue to rise, more in loans to companies and less in mortgage loans.

Despite the increase in credit risk ratio, there is a trend towards a reduction of cost of risk, as there are fewer new entries net of recoveries, implying fewer impairment charges.

The volumes in loans and deposits of Portuguese banks and in particular of BCP have been falling based on publicly available data, amid deleveraging of non-financial sectors of the economy, leading to lower demand for credit. In parallel, deposits have been increasing (Source: Banco de Portugal), reflecting the confidence of customers in Portuguese banks, an increase in precautionary savings, due to future uncertainties, and the conversion of off-balance sheet customer funds into deposits, reflecting a reduction in clients risk. As a result, the commercial gap has been narrowing gradually, leading to a situation where the credit is almost entirely funded by on-balance sheet customer funds, thereby reducing dependence on the ECB and wholesale funds markets and improving the liquidity position of BCP.

Although BCP expects a progressive opening of International Money Market and financial markets, the Portuguese banks' access to Eurosystem funding is expected to be above the euro area average in 2014.

Once the constraints that prevent the normal functioning of the markets are overcome, a progressive reduction in the use of ECB funding is expected, offset by debt issuances in the wholesale funds market.

BCP projects that it will issue EUR 2.5 billion on average per year during the 2014-17 period, which will be used to reduce dependence on ECB funding.

The liquidity position of Portuguese banks has benefited from the actions of the ECB, notably the cut in reference rates and the granting of funds at a fixed rate and full allotment adopted for Eurosystem refinancing operations, adding long-term value to refinancing operations and measures affecting collateral eligibility rules and providing the banks with flexibility to manage their liquidity needs. The withdrawal of these unconventional monetary policies should proceed gradually and predictably, to the extent that market functioning normalises.

The profitability of Portuguese banks is expected to continue to be depressed in 2014, reflecting lower net interest income and a negative effect in terms of business volumes and the evolution of impairments (Source: Banco de Portugal). Current low levels of interest rates affect the banks' profitability, despite improvements in terms of impairments. The ability to generate capital remains a major challenge to the banking business in the medium term. Although BCP is taking steps to reach its objective of approaching breakeven in Portugal in the second half of 2014, its consolidated results should be constrained by low interest rates, reduced volumes, the cost of hybrid instruments, the cost of liability operations management conducted in 2011 (that in 2013 stood at EUR 131.9 million, net of taxes) and higher impairment charges, partially offset by lower spreads on term deposits, carry trade of sovereign debt securities, results of international operations and cutting costs through further reductions in the number of branches and employees.

Basel III rules that came in force in 2014 will require higher capital requirements and a wider range of risk coverage. However, there is a transition period to the new regulatory requirements that will allow this transition to occur smoothly.

The new Basel III capital regulatory framework, implemented in the EU through the CRD IV/CRR, demands that tax credits of banks that depend on the use of future profits (in banking, ‘‘deferred tax assets’’) are deducted from their own funds, although banks can only book such taxes for which there is a guarantee of nearly full use or an economic value equal to its book value.

On 10 July 2014, the Portuguese Parliament approved a law on the special rules applicable to deferred tax assets, aiming to restore competitive conditions to domestic companies further to the approval of similar schemes in other European Union countries, such as Spain and Italy. The law has still not entered into force, as it is still pending promulgation and publication on the Portuguese Official Gazette.

The scheme that has now been approved shall apply to expenditures and negative equity variations accounted in tax periods beginning on or after 1 January 2015, as well as to deferred tax assets which are recorded in the annual accounts of the taxpayer for the taxation period preceding that date and to the part of expenditures and negative equity changes that are associated to them.

In order to ensure the strengthening of the capital structure of the companies that opt for the scheme that has now been approved, these entities shall mandatorily adopt certain measures aimed at reinforcing their capital, through the issuance of conversion rights tradable in the market.

In accordance with the press release published on the website of the Portuguese Parliament (http://www.parlamento.pt/ActividadeParlamentar/Paginas/DetalheIniciativa.aspx?BID=38542), the proposed legislation provides, subject to an optional adhesion regime and possible subsequent waiver thereto, that, under certain assumptions (annual negative net results and liquidation, insolvency or revocation of licence), the deferred tax assets generated from the non-deduction of costs and negative equity variations due to losses from loan impairments and from post-employment benefits or long-term employment benefits will be converted into tax credits. Tax credits will be offset against tax debts of the beneficiaries or immediately repayable by the Portuguese Republic, with the offset or reimbursed credits generating a special reserve corresponding to 110% of their amount. The offset and reimbursed credits are intended to be incorporated into the share capital, and rights of conversion into equity will be issued with reference to the market price of the shares and attributed for free to the Portuguese Republic. The shareholders at such date will have a right of acquisition of such conversion rights against the same reference price.

The implementation of the single supervisory mechanism under the Banking Union project will involve conducting a thorough review of the major banks by the ECB, covering about 85% of the banking system of the euro area, to reinforce confidence in the soundness and quality of bank’s balance sheets in the euro area. This exercise includes three elements: risk assessment for supervisory purposes, analysis of asset quality, in order to increase transparency about the exposure of banks, and a stress test, in order to assess the resilience of banks’ balance sheets under adverse scenarios. This exercise should be completed by the time the ECB assumes its supervisory role in November 2014. Following this exercise, the ECB will undertake a unique and comprehensive release of the results and any recommendations in terms of supervisory measures to be applied.

VISION, MISSION AND STRATEGY

VISION AND MISSION

BCP's vision is to be the reference Bank in Customer service, based on innovative distribution platforms, where a relevant part of the resources will be allocated to Retail and Companies, in markets of high potential with excellent efficiency levels, reflected in a commitment to an efficiency ratio at reference levels for the sector and with tighter discipline in capital, liquidity and cost management.

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, so as to provide an attractive return to Shareholders, in a manner supporting and strengthening its strategic autonomy and corporate identity.

STRATEGY

In September 2012, BCP announced a new, three phase strategic plan for the period up to 2017 (the ''Strategic Plan''). The Strategic Plan was further updated in September 2013, following the approval of BCP's Restructuring Plan by the European Commission, and in June, the targets were updated pursuant to the recent conclusion of the Rights Offering transaction.

The three phases of the Strategic Plan are as follows:

- Phase 1 (2012 to 2013): Setting the foundation for sustainable future development

During the first phase of the Strategic Plan, the management's key priority was the reinforcement of the balance sheet through a reduction of the Bank's dependence on wholesale funding and increasing its regulatory capital ratios.

- Phase 2 (2014 to 2015): Creating conditions for growth and profitability

During the second phase of the Strategic Plan, the management's focus is on recovering profitability of the Bank's domestic operations, coupled with the continued development of the international subsidiaries in Poland, Mozambique and Angola. An Improvement in domestic profitability is expected to be primarily driven by (i) an increase in net interest margin through a reduction in the cost of deposits and an improving lending mix towards higher margin products, (ii) a continued focus on operating cost optimisation through a reduction in headcount and elimination of administrative overlaps and (iii) the adoption of strict credit risk limits, thereby driving down recurring provisioning expenses.

- Phase 3 (2016 to 2017): Sustained growth

During the third phase, management will be focused on reaching a sustainable growth of net income, benefitting from the successful implementation of the first two phases of the Strategic Plan, an improved balance between the contributions of the domestic and international operations towards profitability, and the completion of the winding down/divestment of the Bank's non-core portfolio.

The Board of Directors also approved an update of the Bank's Strategic Plan comprising a revision of targets to be achieved in or at the end of 2017:

- Common Equity Tier I ratio: >10%
- Net loans to on balance sheet customer funds: <100%
- Cost-to-income ratio:~ 40%
- Operating costs in Portugal:~ EUR 660 million
- Cost of risk: <100 basis points
- Return on Equity (ROE):~ 15%

The main actions required to successfully implement the Strategic Plan are:

- Strengthening the balance sheet: The Bank is aiming to improve its capital ratios through a reduction of risk weighted assets (RWA) via the deleveraging and disposal or winding down of non-core operations. Strong internal capital generation in the latter phases of the Strategic Plan is also expected to contribute to capital accumulation. Additionally, the disposal or winding down of non-core operations and incorporation of off-balance sheet customer funds into on-balance sheet customer funds is expected to improve the liquidity position of the Bank by reducing the commercial gap and the Bank's reliance on wholesale sources of funding. This improvement in the commercial gap and increase in borrowings from public and private debt markets resulted in a reduction of net funds taken from the ECB. Over the course of the implementation of the Strategic Plan, it is the intention of the Bank's management to continue reducing the exposure to the ECB through a combination of initial deleveraging followed by continued deposit growth and controlled loan portfolio expansion.

- Improving profitability of the domestic operations: The Bank is in the process of optimising its product mix and will continue to adjust the pricing of the loans to better reflect the risk profile of each customer, which is expected to have a positive impact on both the net interest margin and cost of risk of the Portuguese business. Further improvement to the net interest margin is expected from the continued reduction in spreads on term deposits.

- Consolidating the Bank's leading position in the Portuguese private sector retail and SME/corporate banking markets: The Bank has adopted a new business model focused on a new segmentation of its customer base, the on going review of the products and services it offers, and an adjustment of its back office units and branch network. This business model is being implemented in the expectation of expanding the Bank's geographic coverage and increasing client facing ''sales capacity'' while simultaneously reducing operating costs. In the retail customer segment, the strategy is to rebalance the portfolio mix from lower yielding mortgages towards higher yielding lending; in the SME/corporate segment, the focus will be on targeting export oriented companies. The Bank aims to ensure sustainable profitability in the medium- and long-term, with the objective of becoming ''best in class'' in operating efficiency, both in terms of generating revenues and operating expenses while maintaining high credit risk control, thereby preserving its strategic position in the Portuguese retail and SME banking markets.

- Unique international position: The Bank's international franchise is focused on the rapidly growing markets of Poland, Mozambique and Angola. In Poland, the Bank intends to continue its policy of customer acquisition, based on the existing large and modern branch network, its full offer of products and services and the strength of the Bank's brand. In addition, the Bank intends to continue focusing on cross-selling products and services to the existing customer base. In Mozambique, the Bank intends to continue leveraging its leading franchise in the country through the development of its branch network and the offering of new and innovative products and services to its customers. In Angola, the Bank aims to further develop its operations and increase its volumes in each business segment through growth of its customer base. All three of the Bank's core international markets are currently self-funded with customer deposits exceeding net customer loans, thereby not requiring parental funding from the Bank. This self-funding is expected to be maintained throughout the course of the growth and development of the international markets.

- Risk management: The Bank aims to implement a new monitoring system to manage performing loans with a higher probability of default in addition to past due loans. The creation of a legacy portfolio coupled with the strengthening of the Bank's loan recovery capabilities is expected to reduce the overall delinquency level while maintaining focus on new credit underwriting with a risk profile in line with the Bank's Strategic Plan.

Financial Information

LIQUIDITY AND FUNDING

In the first half of 2014 the Bank continued to implement its 2014 Liquidity Plan, aimed at controlling funding needs, assuring dynamic management of the portfolio of eligible assets at the European Central Bank (ECB) and also monitoring and taking advantage of opportunities in the wholesale funding market.

During the first half of 2014 balance sheet customer funds showed a favourable performance compared with June 2013, contributing to an additional and sustained reduction of commercial gap.

Regarding the composition of wholesale funding composition, the Bank reimbursed medium-long term debt amounting to 2.1 billion euros (from which 2.0 billion euros in the second quarter, from a total of 3.4 billion euros in 2014), including in May the early redemption of 400 million euros of core tier I capital instruments (CoCos) underwritten by the Portuguese State. In February, favourable market conditions allowed the return of the Bank to the wholesale markets ahead of schedule, through an issue of senior debt amounting to 500 million euros, which in the Liquidity Plan was expected to occur in the third quarter of 2014. As expected in the Liquidity Plan, the Bank pursued the diversification of its funding sources, in particular through the increase of the amount of repos with international financial institutions and collateralised by securities, which increased by 1.0 billion euros in the second quarter, to 1.5 billion euros.

The active and optimised management of eligible assets in the Eurosystem comprised, among others, the following actions, still in the first quarter: the unwinding of two securitisation transactions and re-allocation to the pool of the underlying assets in the form of additional credit rights; the implementation of a new mechanism that allowed the selection of a material amount of new credit assets that were posted to the pool and the adjustment of the terms and conditions of a retained issue of covered bonds, increasing its liquidity generation potential; already in the second quarter, the acceptance by the Bank of Portugal of IRB models applicable to credit portfolios, allowing a decrease of the related haircuts.

In spite of the reimbursement of 2.1 billion euros of medium-long term debt and some growth of the securities portfolio during the first half of 2014, the Bank was able to decrease by 1.4 billion euros (from which 0.6 billion euros in the second quarter) the net funding in the Eurosystem, from 10.0 billion euros as at 31 December 2013 to 8.7 billion euros as at 30 June 2014), due to the sustained reduction of the commercial gap, the senior debt issue and the diversification of wholesale funding sources. At the same time, optimised management of eligible assets (totalling 18.6 billion euros) led to the maintenance of a comfortable liquidity buffer (10.0 billion euros), even after the early redemption of a 2.0 billion euros issue guaranteed by the State (1.8 billion euros after haircuts).

The above mentioned decrease of the net funding in the Eurosystem in the first half of 2014 involved the early redemption of additional Long-Term Refinancing Operation (LTRO) tranches of 3 billion euros (from which 2 billion euros in the second quarter, out of an original total of 12 billion euros), reducing the current balance to 8 billion euros and allowing greater flexibility in short term borrowing and therefore more efficient treasury management.

CAPITAL

On 26 June 2013, the European Parliament and Council approved Directive 2013/36/EU and Regulation (EU) N. 575/2013 (Capital Requirements Directive IV/Capital Requirements Regulation - CRD IV/CRR) which established new and more demanding capital requirements for credit institutions, with effects as from 1 January 2014.

These stricter requirements result from more narrowly defined capital and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer, of 7% for Common Equity Tier 1 (CETI), of 8.5% for Tier I capital (TI) and of 10.5% for the Total Capital. The CRD IV/CRR also stipulates a transitional period (phased-in) in which institutions may accommodate the new requirements, both in terms of own funds and of compliance with minimum capital ratios.

Nevertheless, the Bank of Portugal, through Notice N. 6/2013 of 23 December, stipulated the obligation to ensure the maintenance of a CETI ratio not lower than 7%, determining the adoption of capital conservation measures whenever this does not occur.

According to our interpretation of CRD IV/CRR to date, estimated CETI ratios as at 30 June 2014 stood at 12.5% by phased-in standards, an increase of 60 basis points when compared to 11.9% in March 2014, and 9.0% on the fully implemented rules, 57 basis points above the 8.4% of the previous quarter (pro forma values considering the impacts related to the share capital increase of 2,242 million euros completed in July 2014, the 1,850 million euros reimbursement of CoCos and the sale of the subsidiary in Romania, in the capital ratios of June, and assuming the conservative interpretation of the legislation about the prudential treatment of the deferred tax assets on both periods).

This performance mainly reflects the positive impacts of the share capital increase, of the sale of the shareholdings held on the non-life business of Millenniumbcp Ageas, completed in June, and on the subsidiary in Romania, together with the placement of a synthetic credit securitisation in June, despite the unfavourable effects of the reimbursement of the first tranche of CoCos amounting to 400 million euros, in May, and the additional amount of 1,850 million euros.

CETI ratios estimated in accordance with CRD IV/CRR compare unfavourably with the core tier I ratio of Bank of Portugal mainly due to the impact of deductions that apply additionally to the CETI, in respect to the shortfall of impairment to expected loss, to minority interests, to the pension fund corridor, to financial investments and deferred taxes, on the one hand, and to the worsening of risk weighted assets associated with deferred tax assets and financial investments not deducted to CETI, despite the more favourable treatment of the credit portfolio exposures to small and medium enterprises, on the other hand.

On 22 July 2013, the EBA issued a recommendation establishing the preservation of capital, in absolute value, necessary to meet the previously anticipated minimum ratio of 9%, with reference to the capital requirements as at 30 June 2012, including the same capital buffer for exposures with sovereign risk, in order to ensure a smooth transition to the minimum capital requirements imposed by the CRD IV/CRR.

This recommendation provides for some exceptions, particularly for institutions involved in the process of restructuring and orderly gradual deleveraging, for which the minimum nominal capital can be fixed with reference to the capital requirements determined in a later reference date, by means of request that institutions may submit to the Bank of Portugal and for which they obtain permission. In this context, Millennium bcp in due time made this request and in May 2014 the Bank of Portugal approved the waiver of the fulfilment of the nominal core tier I capital amount foreseen by that recommendation, given the deleveraging and restructuring plan in progress.

The change in capital ratios in accordance with the interpretation of CRD IV/CRR, referred above (phased-in and fully implemented), was as follows:

SOLVENCY (CRD IV/CRR) (*)

Euro million

	Phased-in		Fully implemented	
	30 Jun. 14	31 Mar. 14	30 Jun. 14	31 Mar. 14
Own funds				
Common equity tier I (CETI)	5,462	5,460	3,858	3,800
Adittional Tier I	--	--	51	50
Tier I	5,462	5,460	3,909	3,850
Total Capital	**6,146**	**6,013**	**4,454**	**4,370**
Risk weighted assets	**43,773**	**45,968**	**43,100**	**45,326**
Solvency ratios				
CET I	12.5%	11.9%	9.0%	8.4%
Tier I	12.5%	11.9%	9.1%	8.5%
Total	14.0%	13.1%	10.3%	9.6%

(*) Estimate; proforma values considering the impacts related to the share capital increase of Euro 2,242 million completed in July 2014, the Euro 1,850 million reimbursement of CoCo and the sale of the subsidiary in Romania, in the capital ratios of June, and assuming the conservative interpretation of the legislation about the prudential treatment of the deferred tax assets on both periods.

The change in Core Tier I capital ratio in accordance with Basel II /Bank of Portugal, was as follows:

CORE TIER I (Basel II / Bank of Portugal)

	30 Jun. 14	31 Mar. 14	31 Dec. 13
Core Tier I ratio (Basel II / Bank of Portugal)	14.5%	13.9%	13.8%

Results and balance sheet

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

Considering the commitment agreed with the Directorate General for Competition of the European Commission (DG Comp) on the Bank's Restructuring Plan, in particular the sale of Millennium bcp's operation in Romania in the mid-term and the implementation of a new approach to the asset management business, and according to IFRS 5, the activities of Millennium bank in Romania and of Millennium bcp Gestão de Activos were classified as discontinued operations, during 2013, with the impact on results of these operations presented on a separate line item in the profit and loss account, defined as "income arising from discontinued operations". As part of this, and in accordance with the referred accounting standard, the profit and loss account was restated as at 30 June 2013, for comparative purposes. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Romania and of Millennium bcp Gestão de Activos remained in the criteria considered on the consolidated financial statements as at 30 June 2013.

However, for a better interpretation of the performance of the Group's financial indicators, and for the purposes of this analysis, some balance sheet indicators are presented on a comparable basis, or in other words, excluding discontinued operations – Millennium bank in Romania and Millennium bcp Gestão de Activos.

Profitability Analysis

Net Income

The net income of Millennium bcp was negative at 62.2 million euros in the first half of 2014, comparing favourably with the net loss of 488.2 million euros reported in the first half of 2013, benefiting from the trend of recovering profitability in Portugal and the growing contribution of international activities, in line with the Strategic Plan.

The performance of net income for the first half of 2014 primarily reflects the following impacts:

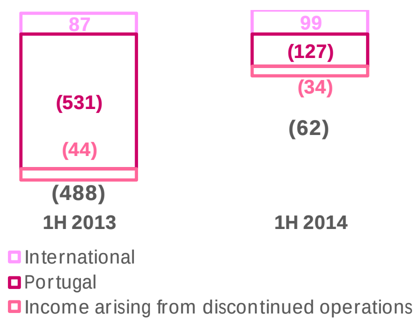
- The favourable trend in loan impairments and other impairments and provisions, which reduced 31.4% from the first half of 2013;

- The favourable performance of net interest income, both in Portugal and in international activity, increasing 30.4% from the first half of 2013;

- The gains in net trading income related to Portuguese sovereign debt;

- Gains related to the sale of the entire share of 49% in entities that operate exclusively in the area of non-life insurance.

NET INCOME
Euro million



Millennium bcp's profitability remains influenced by the negative impacts related with interest expense associated with the issuance of hybrid financial instruments (-130.6 million euros in the first half of 2014), the cost of the Portuguese State guarantee to Bank's debt issues and the banking sector and guarantee/resolution funds contributions (-43.5 million euros), as well as the liability management operations undertaken in 2011 (-79.1 million euros). In the first half of 2014, all these effects represented a negative impact on the profitability of the semester of 179.7 million euros net of taxes (-211.4 million euros in the first half of 2013).

Net income for the first half of 2014 was hindered by the activity in Portugal, which still showed a negative result. However, when compared with the first half of 2013, the activity in Portugal improved by 404.2 million euros, reflecting the positive change in impairments, net trading income, net interest income and operating costs, materialising a profitability recovery trend in Portugal, in line with the Strategic Plan.

Net income associated with international operations, excluding discontinued operations, showed a 12.8% growth, from the first half of 2014, boosted by an increase in net interest income, benefiting from the performance achieved in the activities in Poland, Angola and Mozambique.

Bank Millennium in Poland registered a net income of 76.4 million euro in the first six months of 2014, showing a 26.3% raise from 60.5 million euro in the same period of 2013, benefiting from net interest income, as a result of improved customer deposits margin, and on net commissions, in particular from payment cards and investment products.

Millennium bim in Mozambique presented a net income amounting 41.7 million euro, an increase of 2.9% compared to the first half of 2013 (+11.1% in meticais), boosted by the evolution of net interest income, which mitigated the gain obtained in 2013 with the sale of real estate and the increase in operating costs, partially associated to expansion plan.

Banco Millennium in Angola with a growth on net income, from 18.3 million euro in the first six months of 2013 to 23.1 million euro in the same period of 2014, reflecting net operating revenues positive performance, mainly due to improved net interest income and dividends, which more than offset reduced net trading income and increased operating costs associated to expansion plan.

Millennium Banque Privée in Switzerland showed a net income amounting 3.8 million euro in the first half of 2014, just 0,4% down from the same period of 2013, influenced by increased operating costs and by decreased net interest income, penalized by an environment of falling interest rates and by loan portfolio deleveraging process, despite the positive performance of commissions related to the placement of third parties' financial products, portfolio management and brokerage.

Millennium bcp Bank & Trust in the Cayman Islands registered a net income of 5.3 million euro in the first six months of 2014, down by 2.5 million euro compared to the first half of 2013, given the impact of reduced balance sheet on net interest income, despite the lower level of cost of risk and operating costs.

Banca Millennium in Romania presented a negative net income of 1.0 million euro in the first half of 2014 compared with a loss of 3.5 million euro in the same period of 2013. The Bank signed on 30 July 2014 an agreement with OTP Bank regarding the sale of the entire share capital of Banca Millennium.

INCOME STATEMENT			Euro million
	30 Jun. 14	30 Jun. 13	Change 14/13
Net interest income	496.0	380.2	30.4%
Other net income			
Dividends from equity instruments	5.7	1.5	-
Net commissions	341.2	332.9	2.5%
Net trading income	175.2	53.1	-
Other net operating income	47.4	(23.8)	-
Equity accounted earnings	23.0	30.6	-25.0%
	592.5	394.3	50.3%
Operating costs			
Staff costs	323.4	336.6	-3.9%
Other administrative costs	221.5	226.1	-2.1%
Depreciation	31.8	33.3	-4.5%
	576.7	596.1	-3.2%
Impairment			
For loans (net of recoveries)	371.6	474.0	-21.6%
Other impairment and provisions	114.0	234.4	-51.4%
Income before income tax	26.2	(529.9)	-
Income tax			
Current	62.5	35.9	74.0%
Deferred	(60.3)	(165.8)	-
Income after income tax from continuing operations	24.0	(400.0)	-
Income arising from discontinued operations	(33.6)	(44.2)	-
Non-controlling interests	52.6	44.0	-
Net income attributable to shareholders of the Bank	(62.2)	(488.2)	-87.3%

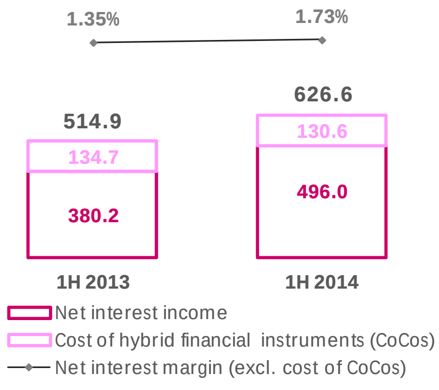
Net Interest Income

Net interest income amounted to 496.0 million euros in the first half of 2014, an increase of 30.4%, compared to 380.2 million euros in the first half of 2013, determined by favourable net interest income in Portugal, due to the reduction in customer deposits cost, and also to the positive performance of net interest income in international activities, from the price effect on customer deposits cost and the volume effect on loans to customers.

Net interest income of the first half of 2014 includes the interest expenses associated with the issuance of hybrid financial instruments subscribed by the Portuguese State (CoCos), in the amount of 130.6 million euros, which compares with 134.7 million euros in the same period in 2013.

The performance in net interest income, between the first half of 2013 and the first half of 2014, benefited from the price effect on customer deposits cost observed in Portugal, in line with the objective of income improvement from deposits expected in the Strategic Plan. In the first half of 2014, the average customer deposit rate in Portugal declined by 70 basis points, from the same period in 2013.

NET INTEREST INCOME
Euro million



This positive effect more than offset the unfavourable impact of the business volumes, reflecting the slowdown in credit demand from the same period in 2013, despite continued implementation by the bank of initiatives to stimulate loan granting to economically viable projects.

Net interest income from international operations increased 20.7% in the first half of 2014, compared with the first half of 2013, reflecting the reduction in the cost of customer deposits and the increased volume of loans to customers, supported by operations in Poland, Angola and Mozambique. In the first half of 2014, the interest rate for customer deposits in the international activity decreased 83 basis points, from the same period in 2013, mainly influenced by the performance registered in Poland.

Net interest margin for the first half of 2014 stood at 1.37% compared with 1.00% in the first half of 2013.

AVERAGE BALANCES *Euro million*

	30 Jun. 14		30 Jun. 13	
	Balance	Yield %	Balance	Yield %
Deposits in banks	3,463	1.09	4,563	1.45
Financial assets	12,790	3.43	13,316	3.48
Loans and advances to customers	55,707	3.84	57,840	3.96
Interest earning assets	**71,960**	**3.64**	**75,719**	**3.72**
Discontinued operations (1)	434		3,302	
Non-interest earning assets	9,436		9,123	
	81,830		**88,144**	
Amounts owed to credit institutions	12,750	0.72	14,542	1.11
Amounts owed to customers	48,271	1.75	46,441	2.37
Debt issued	9,878	3.78	12,693	3.71
Subordinated debt	4,244	7.61	4,328	7.61
Interest bearing liabilities	**75,143**	**2.17**	**78,004**	**2.64**
Discontinued operations (1)	354		3,455	
Non-interest bearing liabilities	2,977		2,834	
Shareholders' equity and non-controlling interests	3,356		3,851	
	81,830		**88,144**	
Net interest margin		1.37		1.00
Net interest margin (excl. cost of CoCos)		1.73		1.35

Note: Interest related to hedge derivatives were allocated, in June 2014 and 2013, to the respective balance sheet item.
(1) Includes the activity of the subsidiaries in Greece, in Romania and of Millennium bcp Gestão de Ativos, as well as, the respective consolidation

Other Net Income

Other net income, which includes income from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, totalled 592.5 million euros in the first half of 2014, and showed an increase of 50.3% from 394.3 million euros in the first half of 2013. The performance of other net income, reflects mostly the increase posted by the activity in Portugal, in particular the growth in net trading income, determined by the higher income from sovereign debt securities, and the increase in other net operating income, influenced by the accounting of a capital gain relate to the sale of the shareholding of 49% in entities that operate exclusively in the area of non-life insurance.

OTHER NET INCOME *Euro million*

	30 Jun. 14	30 Jun. 13	Change 14/13
Dividends from equity instruments	5.7	1.5	-
Net commissions	341.2	332.9	2.5%
Net trading income	175.2	53.1	-
Other net operating income	47.4	(23.8)	-
Equity accounted earnings	23.0	30.6	-25.0%
Total other net income	592.5	394.3	50.3%
Of which:			
Portugal activity	424.9	211.5	100.9%
Foreign activity	167.6	182.8	-8.3%

Income from Equity Instruments

Income from equity instruments, which includes dividends received from investments in financial assets available for sale, stood at 5.7 million euros in the first half of 2014, compared with 1.5 million euros in the same period of 2013. Dividends recorded in both periods correspond mainly to income associated with the Group's equity investments and to investment fund participation units.

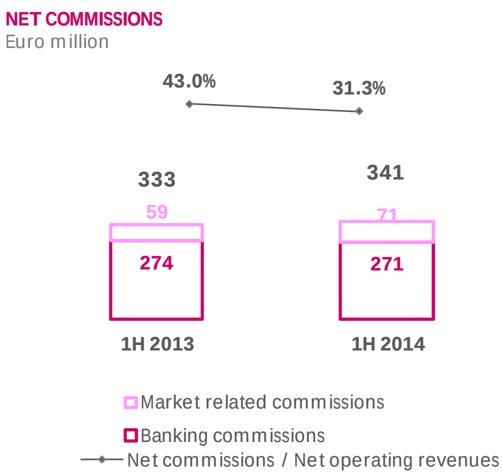
Net Commissions

Net commissions amounted to 341.2 million euros in the first half of 2014, an increase of 2.5%, from the first half in 2013, determined by the international activity, which registered a 7.0% growth.

The performance of net commissions, in the first half of 2014, reflected:

- The increase in commissions related to financial markets (+19.5%), from operations with securities and asset management, boosted by 28.8% growth in the activity in Portugal and 11.5% in international activities;

- The decrease in commissions related to the banking business (-1.2%), in particular in the activity in Portugal, reflecting an unfavourable effect induced by the legislative changes related to commissioning of overdrafts, despite the positive effect of a decrease in the cost with the guarantee granted by the Portuguese State to debt securities issued by the Bank and the 5.2% increase in the international activity.



NET COMMISSIONS *Euro million*

	30 Jun. 14	30 Jun. 13	Change 14/13
Banking commissions	270.6	273.8	-1.2%
Cards	96.5	88.1	9.5%
Credit and guarantees	79.9	74.6	7.1%
Bancassurance	36.6	36.7	-0.2%
Current account related	38.8	62.9	-38.3%
Commissions related with the State guarantee	(16.4)	(35.4)	-
Other commissions	35.2	46.9	-24.9%
Market related commissions	70.6	59.1	19.5%
Securities	50.9	42.9	18.6%
Asset management	19.7	16.2	21.8%
Total net commissions	341.2	332.9	2.5%
Of which:			
Portugal activity	217.0	216.7	0.1%
Foreign activity	124.2	116.1	7.0%

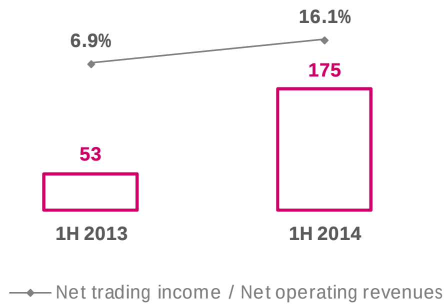
Net Trading Income

Net trading income, which includes net gains from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity, amounted to 175.2 million euros in the first half of 2014, compared to 53.1 million euros in the first half of 2013.

The positive trend in net trading income was determined by the activity in Portugal, especially from the favourable impact associated with higher income from Portuguese sovereign debt securities (+81.8 million euros) and from the sale of credit operations which recorded a gain of 18.3 million euros in the first half of 2014, compared to a loss of 53.6 million euros in the first half of 2013.

In the international activity, net trading income grew from 55.0 million euros in the first half of 2013, to 43.5 million euros in the first half of 2014, hindered by the performance of derivative trading operations posted in Poland and foreign exchange operations in Angola and Mozambique.

NET TRADING INCOME
Euro million



NET TRADING INCOME *Euro million*

	30 Jun. 14	30 Jun. 13	Change 14/13
Foreign exchange activity	46.0	48.0	-4.3%
Trading, derivative and other	129.2	5.1	-
Total net trading income	175.2	53.1	-
Of which:			
Portugal activity	131.7	(1.8)	-
Foreign activity	43.5	55.0	-20.9%

Other Net Operating Income

Other net operating income, which comprises other operating income, other income from non-banking activities and gains from the sale of subsidiaries and other assets, amounted to 47.4 million euros in the first half of 2014, compared to net losses of 23.8 million euros in the first half of 2013. Performance of other net operating income was impacted by a gain of 69.4 million euros related to the disposal of the stake of 49% in entities that operate exclusively in the area of non-life insurance. This item includes, in the activity in Portugal, contributions from the banking sector and for the resolution fund, both established in 2013, as well as for the deposits guarantee fund.

Equity Accounted Earnings

Equity accounted earnings, which include the results appropriated by the Group associated with the consolidation of entities where the Group, despite having significant influence, does not exercise control over their financial and operational policies, totalled 23.0 million euros in the first half of 2014, compared with 30.6 million euros in the first half of 2013, which include mainly the appropriation of results associated with the 49% stake in Millenniumbcp Ageas.

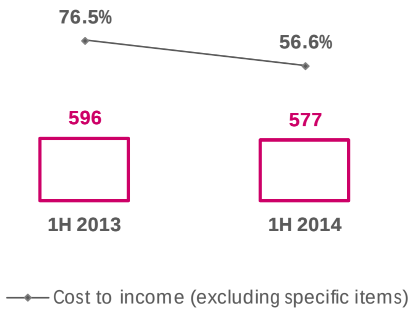
Operating Costs

Operating costs, which aggregate staff costs, other administrative costs and depreciation for the period, decreased 3.2% to 576.7 million euros in the first half of 2014, compared to 596.1 million euros in the first half of 2013, reflecting continued efforts to obtain savings in Portugal, in line with the goals outlined in the Strategic Plan.

In the activity in Portugal, excluding the effect of specific items as detailed in the table below, the operating costs of the first half of 2014 decreased by 5.2%, from the first half of 2013, induced by lower levels of other administrative costs (-7.1%), materialising the impact of rationalisation and cost containment initiatives, as well as by lower personnel costs (-3.9%), reflecting the observed decrease in the number of employees.

In the international activity, operating costs increased 1.7% in the first half of 2014, from the same period in 2013, mainly from advertising expenses posted in Poland and from the impact of the expansion plans underway in the subsidiaries in Angola and Mozambique.

OPERATING COSTS
Euro million



OPERATING COSTS *Euro million*

	30 Jun. 14	30 Jun. 13	Change 14/13
Staff costs	323.4	332.8	-2.8%
Other administrative costs	221.5	226.1	-2.1%
Depreciation	31.8	33.3	-4.5%
Subtotal (1)	**576.7**	**592.3**	-2.6%
Specific items			
Restructuring programme	–	11.2	
Legislative change related to mortality allowance	–	(7.5)	
Operating costs	**576.7**	**596.1**	**-3.2%**
Of which:			
Portugal activity (1)	351.1	370.6	-5.2%
Foreign activity	225.6	221.7	1.7%

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

Staff Costs

Staff costs stood at 323.4 million euros in the first half of 2014, reflecting a decrease of 2.8% from the same period in 2013, excluding the effect of specific items described in the preceding table. This performance reflects the evolution of the activity in Portugal (-3.9%), where the number of employees decreased by 393 from the end of June 2013, together with a decline of 0.7% in the international activity, reflecting the effort towards resources rationalisation and optimisation.

STAFF COSTS *Euro million*

	30 Jun. 14	30 Jun. 13	Change 14/13
Salaries and remunerations	245.8	255.5	-3.8%
Social security charges and other staff costs (1)	77.6	77.3	0.4%
	323.4	**332.8**	-2.8%
Specific items			
Restructuring programme	–	11.2	
Legislative change related to mortality allowance	–	(7.5)	
	323.4	**336.6**	**-3.9%**

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

Other Administrative Costs

Other administrative costs decreased 2.1%, to 221.5 million euros in the first half of 2014, compared to 226.1 million euros in the first half of 2013, induced by cost rationalisation and containment in Portugal, including resizing of the distribution network (-57 branches from 30 June 2013), under the restructuring plan in progress, despite the observed increase in international activities (+4.7%).

The evolution of other administrative costs benefited from the 7.1% decrease, from the first half of 2013, in the activity in Portugal, driven by savings obtained in most items, especially in rents, consulting, communication and outsourcing and independent work, despite the 4.7% increase observed in the international activity, especially from the increase in advertising in Poland.

OTHER ADMINISTRATIVE COSTS *Euro million*

	30 Jun. 14	30 Jun. 13	Change 14/13
Water, electricity and fuel	9.9	10.5	-5.3%
Consumables	3.0	2.8	8.7%
Rents	58.0	62.5	-7.1%
Communications	14.1	15.0	-6.1%
Travel, hotel and representation costs	4.9	5.0	-1.1%
Advertising	15.7	12.7	23.4%
Maintenance and related services	14.5	14.7	-1.3%
Credit cards and mortgage	2.3	2.6	-11.3%
Advisory services	5.0	7.7	-35.6%
Information technology services	10.4	9.5	10.1%
Outsourcing	37.0	38.3	-3.4%
Other specialised services	14.9	14.4	3.1%
Training costs	0.8	0.6	44.7%
Insurance	2.4	2.7	-11.1%
Legal expenses	3.8	4.0	-6.4%
Transportation	5.1	5.2	**-3.4%**
Other supplies and services	19.5	17.7	**9.8%**
	221.5	**226.1**	**-2.1%**

Depreciation for the Period

Depreciation costs totalled 31.8 million euros in the first half of 2014, decreasing 4.5% from the first half of 2013, as a result of the decrease determined in the activity in Portugal (-8.5%), benefiting from the reduction in depreciation related to equipment, arising mainly from the gradual end of the amortisation period of the corresponding investments.

In the international activity, depreciation stood at the same level, as the increases from subsidiaries in Mozambique and Angola were almost offset by the reduction in the Bank Millennium in Poland.

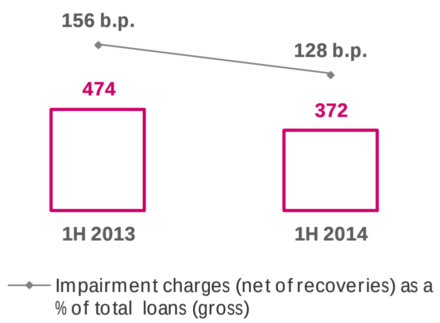
Loan Impairment and Credit Recoveries

Impairment for loan losses (net of recoveries) stood at 371.6 million euros in the first half of 2014, compared with 474.0 million euros in the first half of 2013.

In Portugal, credit impairment decreased by 24.8%, reflecting the positive effect of continued focus on control mechanism and risk management monitoring, and negatively, the persistence of an unfavourable economic environment, impacting the deteriorating economic and financial situation of households and companies. In the international activity, an increase of 18.7%, from the first half of 2013, was determined by the higher level of impairment in Bank Millennium in Poland.

The cost of risk, excluding discontinued operations, stood at 128 basis points, compared with 156 basis points calculated in the first half of 2013, reflecting a slowdown in the pace of impairment charges for loan losses, mainly in the activity in Portugal, in line with the Strategic Plan.

IMPAIRMENT CHARGES (NET)
Euro million



LOAN IMPAIRMENT CHARGES (NET OF RECOVERIES) *Euro million*

	30 Jun. 14	30 Jun. 13	Change 14/13
Loan impairment charges	379.8	480.3	-20.9%
Credit recoveries	8.2	6.3	29.5%
	371.6	474.0	-21.6%
Cost of risk:			
Impairment charges as a % of total loans	130 b.p.	158 b.p.	-27 b.p.
Impairment charges (net of recoveries) as a % of total loans	128 b.p.	156 b.p.	-28 b.p.

Note: cost of risk adjusted of discontinued operations.

Other Impairment and Provisions

Other impairment and provisions include impairment charges for other financial assets, for impairment of other assets, in particular repossessed assets arising from the termination of loan contracts with customers, for impairment of goodwill, as well as charges for other provisions.

Other impairment and provisions totalled 114.0 million euros in the first half of 2014, compared to 234.4 million euros registered in the first half of 2013. This trend reflects mainly the reduction in other provisions for liabilities and charges that included, in the first half of 2013, 80.0 million euros related to the subscription of shares of Piraeus Bank, regarding the sale of Millennium bank in Greece. Furthermore, this performance was influenced by the reduction in provisions for guarantees and other commitments and in impairments of other non-current financial assets, despite the increase in impairments of other financial assets.

Income Tax

Income tax (current and deferred) amounted to 2.2 million euros in the first half of 2014, compared to -129.8 million euros in the first half of 2013. These taxes include current tax costs of 62.5 million euros (35.9 million euros in the first half of 2013) and deferred tax assets of 60.3 million euros (165.8 million euros in the first half of 2013).

Non-controlling interests

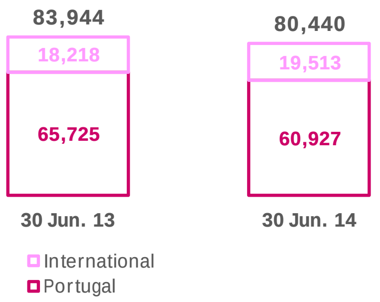
Non-controlling interests included the part attributable to third parties of the net income of the subsidiary companies consolidated under the full method in which the Group does not hold, directly or indirectly, the entirety of their share capital.

Non-controlling interests essentially reflected the net income attributable to third parties related to the shareholdings held in the share capital of Bank Millennium in Poland, Millennium bim in Mozambique and Banco Millennium Angola, and totalled 52.6 million euros in the first half of 2014, compared with 44.0 million euros posted in the first half of 2013.

Review of the Balance Sheet

Total assets stood at 80,440 million euros as at 30 June 2014 (83,944 million euros as at 30 June 2014), which compares with 82,007 million euros as at 31 December 2013, as a result of the effects related to the decrease in the loan portfolio in Portugal and the reduction of the line item of cash and deposits at central banks, partly offset by the increase in the securities portfolio.

TOTAL ASSETS
Euro million



Loans to customers (gross), excluding the impact of the loans portfolio associated with the operation in Romania, classified as discontinued operation, loans to customers fell 4.4% from the end of June 2013, reflecting the lower demand for credit, despite the favourable evolution of economic activity during the first half of 2014.

The securities portfolio, which includes financial assets held for trading, financial assets available for sale, assets with repurchase agreement and financial assets held to maturity, stood at 14,757 million euros as at 30 June 2014, which compares with 15,235 million euros as at 30 June 2013, reflecting the reduction of financial assets held to maturity, together with financial assets held for trading, influenced by the reduction in the portfolio of sovereign debt financial instruments.

Total liabilities decreased to 77,070 million euros as at 30 June 2014, from 80,527 million euros as at 30 June 2013 (78,731 million euros as at 31 December 2013). This performance reflects mostly: (i) the decrease in debt securities issued; (ii) the reduction in amounts owed to credit institutions, reflecting the lower exposure to European Central Bank funding; (iii) the decrease in subordinated debt, as a result of the repayment to the Portuguese State, in May 2014, of 400 million euros of hybrid financial instruments (CoCos) after the authorisation received from the Banco de Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios.

Total customer funds, excluding the aforementioned effect from discontinued operations, totalled 63,976 million euros, compared with 63,881 million euros as at 30 June 2013. This evolution reflects mostly the increase in assets under management in the activity in Portugal and the effort to further increase customer deposits in the international activity.

Total equity stood at 3,371 million euros, at the end of the first half of 2014, which compares with 3,417 million euros as at 30 June 2013. Following, the resolution adopted at the Annual General Meeting of Shareholders, on 30 May 2014, the equity item line were reformulated by reducing the share capital and increasing reserves and retaining earnings. Additionally, over the analysed period fair value reserves increased, influenced mostly by the change in the fair value of Portuguese sovereign debt securities portfolio.

BALANCE SHEET AS AT 30 JUNE 2014 AND 2013 AND 31 DECEMBER 2013

Euro million

	30 Jun. 14	31 Dec. 13	30 Jun. 13	Change 14/13
Assets				
Cash and deposits at central banks and loans and advances to credit institutions	3,661	5,234	4,539	-19.3%
Loans and advances to customers	55,547	56,802	57,866	-4.0%
Financial assets held for trading	1,447	1,290	1,588	-8.9%
Financial assets available for sale	10,490	9,327	10,301	1.8%
Financial assets held to maturity	2,744	3,110	3,222	-14.8%
Investments in associated companies	443	579	531	-16.5%
Non current assets held for sale	1,571	1,506	1,278	22.9%
Other tangible assets, goodwill and intangible assets	978	983	813	20.4%
Current and deferred tax assets	2,233	2,222	1,885	18.5%
Other (1)	1,326	952	1,921	-31.0%
Total Assets	**80,440**	**82,007**	**83,944**	-4.2%
Liabilities				
Deposits from Central Banks and from other credit institutions	13,080	13,493	14,571	-10.2%
Deposits from customers	48,807	48,960	47,884	1.9%
Debt securities issued	8,315	9,411	10,626	-21.8%
Financial liabilities held for trading	921	870	1,090	-15.4%
Subordinated debt	3,929	4,361	4,459	-11.9%
Other (2)	2,018	1,637	1,898	6.3%
Total Liabilities	**77,070**	**78,732**	**80,528**	-4.3%
Equity				
Share capital	1,465	3,500	3,500	-58.1%
Treasury stock	(33)	(23)	(17)	-
Preference shares	171	171	171	-
Other capital instruments	10	10	10	-
Fair values reserves	188	22	(34)	-
Reserves and retained earnings	922	(357)	(357)	-
Net income for the period attributable to shareholders	(62)	(740)	(488)	-87.3%
Total equity attributable to Shareholders of the bank	**2,660**	**2,583**	**2,785**	-4.5%
Non-controlling interests	711	693	631	12.5%
Total Equity	**3,371**	**3,276**	**3,416**	-1.3%
Total Liabilities and Equity	**80,440**	**82,007**	**83,944**	-4.2%

(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.

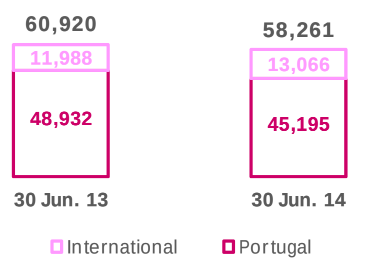
Loans to Customers

Loans to customers (gross) stood at 58,712 million euros as at 30 June 2014, which compares with 61,401 million euros as at 30 June 2013.

Excluding the impact of the loans portfolio associated with the operation in Romania, classified as discontinued operation, loans to companies fell 4.4% from the end of June 2013, reflecting the lower demand for credit, despite the favourable evolution of economic activity during the first half of 2014.

LOANS AND ADVANCES TO CUSTOMERS (*)

Euro million



(*) Before impairment and excludes the impact from discontinued operations (Millennium bank in Romania).

The performance of the loans portfolio was influenced by the activity in Portugal (-7.6%), while international activity, excluding the impact from discontinued operations, saw a growth of 9.0% from the end of June 2013, reflecting the increases posted by the subsidiary companies in Poland, Angola and Mozambique. From 31 December 2013, loans to customers decrease 2.5%, reflecting the performance of the activity in Portugal (-4.4%), despite the increase in the international activity (+4.7%).

The change in loans to customers, from 30 June 2013, was determined by the decrease in loans to companies (-6.7%) and in loans to individuals (-2.0%), driven by the activity in Portugal. This decrease in loans to customers reveals the process underway to reduce the levels of indebtedness by households and companies, in addition to the limited private investment and consequent lower demand for credit. From 31 December 2013, loans to customers in the activity in Portugal showed decreases of 6.6% in loans to companies and of 1.8% in loans to individuals.

In this context, despite the maintenance of a strict selectivity criteria for credit risk assessment, Millennium bcp continued to support Portuguese companies in several sectors (agriculture, industry, commerce, tourism and services), in particular by supporting processes of growth, modernisation and competitiveness strengthening through promotion of a number of initiatives, with emphasis on boosting protocol credit facilities, especially credit lines for SMEs.

The structure of the loans to customers portfolio saw identical and stable levels of diversification, between the end of June 2013 an the end of June 2014, with loans to companies representing near 50% of total loans to customers, as at 30 June 2014.

LOANS TO CUSTOMERS (GROSS)

Euro million

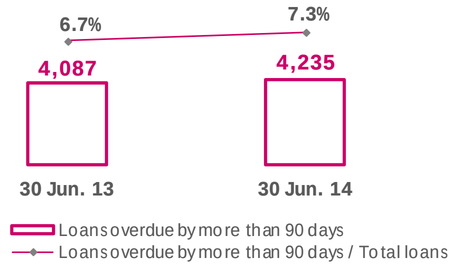
	30 Jun. 14	30 Jun. 13	Change 14/13
Individuals	**29,617**	**30,226**	**-2.0%**
Mortgage	26,043	26,671	-2.4%
Consumer	3,574	3,555	0.5%
Companies	**28,643**	**30,694**	**-6.7%**
Services	11,857	12,502	-5.2%
Commerce	3,443	3,253	5.8%
Construction	4,050	5,027	-19.4%
Other	9,293	9,912	-6.2%
Subtotal	**58,261**	**60,920**	**-4.4%**
Discontinued operations	452	481	
Total	**58,712**	**61,401**	**-4.4%**
Of which (1):			
Portugal activity	45,195	48,932	-7.6%
Foreign activity	13,066	11,988	9.0%

(1) Excludes the impact from discontinued operations (Millennium bank in Romania).

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, adjusted for discontinued operations, stood at 7.3% as at 30 June 2014, compared with 7.1% as at 31 December 2013 (6.7% as at 30 June 2013), reflecting mostly the performance of the loans to companies portfolio, as a result of the continued uncertainty and slow recovery of the Portuguese economy, with impact on the materialisation of credit risk.

Considering the effect from the operations classified as discontinued, the coverage ratio for loans overdue by more than 90 days stood at 73.1% as at 30 June 2014, which compares with 80.1% as at the end of 2013 (85.4% as at 30 June 2013), and the coverage ratio of the total loans overdue portfolio to impairments stood at 70.3% as at 30 June 2014, compared with 77.8% as at 31 December 2013 (79.8% as at 30 June 2013).

CREDIT QUALITY (*)
Euro million



(*) Adjusted of the impacts associated with discontinued operations (Millennium bank in Romania).

Overdue and doubtful loans stood at 9.4% of total loans at 30 June 2014, which compares with 9.2% posted at the end of 2013 (9.0% as at 30 June 2013) and credit at risk stood at 11.9% of total loans as at 30 June 2014, compared with 11.9% at the end of 2013 (12.6% as at 30 June 2013). As at 30 June 2014, restructured loans stood at 11.2% of total loans (9.5% as at 31 December 2013) and restructured loans not included in credit at risk stood at 7.3% of total loans, as at 30 June 2014 (6.4% as at 31 December 2013).

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 30 JUNE 2014

Euro million

	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days /Total loans	Coverage ratio (Impairment/ Overdue >90 days)
Individuals	**869**	**719**	**2.9%**	**82.7%**
Mortgage	248	283	1.0%	114.1%
Consumer	621	436	17.4%	70.2%
Companies	**3,367**	**2,377**	**11.8%**	**70.6%**
Services	1,112	861	9.4%	77.4%
Commerce	415	276	12.1%	66.5%
Construction	1,181	642	29.2%	54.4%
Other	659	598	7.1%	90.8%
Subtotal (1)	**4,235**	**3,096**	**7.3%**	**73.1%**
Discontinued operations	53	69	11.8%	129.6%
Total	**4,289**	**3,165**	**7.3%**	**73.8%**

(1) Adjusted of the impacts associated with discontinued operations (Millennium bank in Romania).

Customer Funds

Total customer funds, excluding the aforementioned effect from discontinued operations, totalled 63,976 million euros, compared with 63,881 million euros as at 30 June 2013. This evolution reflects mostly the increase in assets under management in the activity in Portugal and the effort to further increase customer deposits in the international activity.

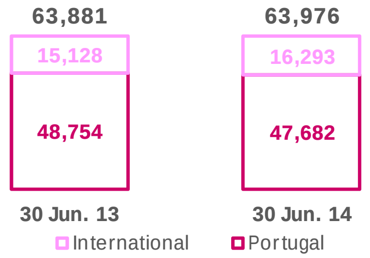
Total customer funds at the end of the first half 2014, excluding discontinued operations, remained at essentially the same level as the amount posted at the end of the first half of 2013 (+0.1%) and materialised a favourable performance of:

- Customer deposits, which, grew 2.0% from the end of June 2013, leading to the reduction of commercial gap, as well as to the improvement of the loan to deposit ratio, which reduced to 116% at 30 June 2014;

- Assets under management, which increased 12.3% from the end of June 2013.

In the activity in Portugal, excluding the impact from discontinued operations, total customer funds stood at 47,682 million euros as at 30 June 2014 (48,754 million euros as at 30 June 2013), and it is worth noting the above mentioned trend, which reflected assets under management growth of 14.8%, despite the decrease in customer deposits of 0.3% and balance sheet customer funds decrease of 3.3% from the end of the first half of 2013.

TOTAL CUSTOMER FUNDS (*)
Euro million



(*) Excludes the impact from discontinued operations (Millennium bank in Romania and Millennium bcp Gestão de Activos).

In international activity, excluding the impact from discontinued operations, total customer funds increased to 16,293 million euros as at 30 June 2014 (+7.7% from 30 June 2013), benefiting from the growth in balance sheet customer funds and in off-balance sheet customer funds, as a result of the favourable performance in international operations, with highlight to the operations in Poland, Angola, Switzerland and Mozambique, excluding the foreign exchange rate effect of the devaluation of metical against euro, reflecting the emphasis on further increasing customer funds in these markets.

As at 30 June 2014, excluding discontinued operations, balance sheet customer funds represented 81.1% of total customer funds, with a highlight on customer deposits that increased their weight in total customer funds to 75.8% as at 30 June 2014 (74.4% as at 30 June 2013).

TOTAL CUSTOMER FUNDS *Euro million*

	30 Jun. 14	30 Jun. 13	Change 14/13
Balance sheet customer funds	**51,915**	**52,122**	**-0.4%**
Deposits	48,463	47,533	2.0%
Debt securities	3,451	4,590	-24.8%
Off-balance sheet customer funds	**12,061**	**11,759**	**2.6%**
Assets under management	3,463	3,085	12.3%
Capitalisation products	8,597	8,674	-0.9%
Subtotal	**63,976**	**63,881**	**0.1%**
Discontinued operations	1,897	1,636	
Total	**65,872**	**65,517**	**0.5%**
Of which (1):			
Portugal activity	47,682	48,754	-2.2%
Foreign activity	16,293	15,128	7.7%

(1) Excludes the impact from discontinued operations (Millennium bank in Romania and Millennium bcp Gestão de Activos).

Securities portfolio

The securities portfolio, which includes financial assets held for trading, financial assets available for sale, assets with repurchase agreement and financial assets held to maturity, stood at 14,757 million euros as at 30 June 2014, which compares with 15,235 million euros as at 30 June 2013, representing 18.3% of total assets as at 30 June 2014, at broadly the same level as at 30 June 2013 (18.1% of total assets).

This change in the securities portfolio reflects the reduction of financial assets held to maturity, together with financial assets held for trading, influenced by the reduction in the portfolio of sovereign debt financial instruments.

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 as at 30 June 2014.

BUSINESS AREAS

Millennium bcp conducts a wide range of banking activities and financial services in Portugal and abroad, with special focus on Retail Banking, Companies Banking, Corporate & Investment Banking and Asset Management & Private Banking business.

Following the commitment undertaken with the Directorate-General for Competition of the European Commission (DG Comp), an additional segment has been considered, the Non-Core Business Portfolio, in accordance with the criteria agreed therein.

Business segment	Perimeter
Retail Banking	Retail Network of Millennium bcp (Portugal) ActivoBank
Companies	Companies Network of Millennium bcp (Portugal) Specialised Recovery Division Real Estate Business Division Interfundos
Corporate & Investment Banking	Corporate Network of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking International Division
Asset Management & Private Banking	Private Banking Network of Millennium bcp (Portugal) Asset Management BII Investimentos Internacional Millennium Banque Privée (Switzerland) (*) Millennium bcp Bank & Trust (Cayman Islands) (*)
Non Core Business Portfolio	In accordance with the criteria agreed with DGComp (**)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Angola Millennium Banque Privée (Switzerland) (*) Millennium bcp Bank & Trust (Cayman Islands) (*)
Other	Includes all other business and unallocated values in particular centralized management of financial investments and corporate activities

(*) For the purposes of business segmentation, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Asset Management and Private Banking segment. In terms of geographic segmentation, both operations are considered Foreign Business.

(**) Loans Portfolios in Portugal to discontinue gradually under the commitments undertaken with the DGComp.
Note: Millennium bank in Greece, Banca Millennium in Romania and Millennium bcp Gestão de Activos are considered discontinued operations.

ACTIVITY BY SEGMENTS

The figures reported by each segment resulted from the aggregation of the subsidiaries and business units defined in each perimeter, reflecting also the impact, on the balance sheet and income statement, of the process of capital allocation and balancing each entity, base on average values. The balance sheet headings for each subsidiary and business unit were re-calculated, considering the replacement of the equ ity book values by the amounts attributed through the allocation process, complying with the regulatory solvency criteria.

As the process of capital allocation is in accordance with the regulatory solvency criteria in place, the risk weighted assets and, consequently, the capital allocated to segments, are based on Basel III methodology, according with CRD IV/CRR, with reference to June 2014. The capital allocation to each segment, in June 2013 and June 2014, resulted from the application of 10% to the risks managed by each segment in those dates, reflecting the application of Basel III methodologies in June 2014 and Basel II in June 2013. The balancing of the various operations is ensured by internal fund transfers, not determining, although, changes at the consolidation level.

The net contributions of each segment include, when applicable, the non-controlling interests. Therefore, the net contributions reflect the individual results by business unit, regardless of the percentage held by the Group, including the impacts of the movements of funds described above. The information presented below was based on financial statements prepared in accordance with the IFRS and the organisation of the Group's business areas as at 30 June 2014.

RETAIL IN PORTUGAL

In the first half of 2014, Retail registered a negative net contribution of 41.2 million euros, comparing favourably with the negative amount of 96.8 million euros posed in the same period of 2013, essentially determined by the increase in net interest income and the decrease in operating costs.

Million euros

Retail Banking			
	30 jun. 14	30 jun. 13	Var. 14/13
Profit and loss account			
Net interest income	104.7	38.8	169.8%
Other net income	159.4	167.9	-5.0%
	264.2	206.7	27.8%
Operating costs	278.5	296.8	-6.2%
Impairment	45.6	50.8	-10.3%
Net (loss) / income before income tax	(59.9)	(141.0)	57.5%
Income taxes	(18.7)	(44.2)	57.6%
Net contribution	(41.2)	(96.8)	57.4%
Summary of indicators			
Allocated capital	689	615	12.1%
Return on allocated capital	-12.1%	-31.8%	
Risk weighted assets	5,467	6,143	-11.0%
Cost to income ratio	105.4%	143.6%	
Loans to customers	17,882	18,469	-3.2%
Total customer funds	33,151	32,531	1.9%

Notes:
Customer funds and Loans to companies (net of impairment) on monthly average balances.

The net interest income improved, compared with the same period of 2013, as a result of the decrease in interest paid associated with the reduction of the interest rate of term deposits, despite the higher volume of deposits.

The operating costs recorded a decrease of 6.2% in the first half of 2014, from the first half of 2013, reflecting the continued efforts to reduce costs, in line with the objectives defined in the Strategic Plan and materialising the impacts of the initiatives implemented aimed at rationalisation and cost containment, as well as the decrease in staff costs reflecting the decrease in the number of employees.

Impairment charges decreased 10.3% in the first half of 2014, compared with the same period of 2013, influenced, positively, by the effect of the continuous focus on monitoring mechanisms to control and manage risk, and, negatively, by the persistence of an adverse macroeconomic context.

Loans to customers decreased by 3.2%, to 17,882 million euros as at 30 June 2014, reflecting the lower demand for credit and the lower private investment as a consequence of the process underway by households and companies to adjust indebtedness.

Total customer funds stood at 33,151 million euros as at 30 June 2014, comparing favourably with the 32,531 million euros posted as at 30 June 2013, reflecting the positive impact of Millennium bcp' strategy to further increase stable customer funds, aimed to sustainably reduce commercial gap.

Individuals

Mass-Market

The economic and social conjuncture significantly marked the strategy chosen for the Mass Market segment where the support to families is the main concern.

Hence, and continuing the work carried out last year, the Bank focused its attention on banking products and services integrated solutions, with special emphasis for the solution Frequent Customer that, during this period, celebrated its 10th anniversary and exceeded the number of 500 thousand subscribing families. Thus, the campaign, "500.000 families already did their math and cut expenses" highlighted the savings that anyone may get by using these solutions, together with the demonstration of real situations showing the amounts that the Customers were effectively able to save in their financial relation with Millennium bcp.

According to the same line of transparency and responsibility towards Customers, the Bank launched the "Savings Centre", available at "millenniumbcp.pt", showing an innovative configuration enabling the Customer to select which is the type of saving that better suits his/her personal goals, together with the launching of different saving solutions to help the customer to reach those goals. The "Personal Loans" solutions and approaches adjusted to the financial profile of the customer and to its capacity to pay credits are also part of this rationale. Hence, the Bank continued to focus its strategy on the two components of the financial relation, Resources and Credit, with excellent results, a strategy that it intends to continue to pursue during 2014.

We must also emphasize that the Bank continues to implement a strategy targeted at young people using the channels they use most, namely the social networks,marked by the strong innovation component that distinguishes Millennium bcp.

Prestige

During the first six months of 2014 the offer was improved by the sale of new specific products for Prestige Customers, of which we may highlight the "Depósito Aniversário Prestige" and "Seguro Investidor Global". During this period of time were equally implemented actions of charm (1st and 5th anniversary of the bank relation) and disclosed several partnerships (Millennium + EDP Pricing) aimed at providing the best benefits to this segment.

Taking into consideration the characteristics and the different banking needs evidenced by self-directed customers, Millennium bcp innovated by creating a new personal assistance platform, the Direct Prestige Centres. This remote service joins the personal contact to greater access availability, thus ensuring the provision of a service of excellence.

During this period, several pieces of communication were produced to emphasize products or campaigns, always using a multichannel approach (leaflets, digital leaflets and electronic mails), or to celebrate specific dates (Women's Day). The intention is to increase the notoriety of the brand Millennium bcp Prestige and reposition Millennium bcp as a solid player in this segment;

Residents Abroad

Millennium continued to focus its attention on its Customers residing all over the world, providing a service of excellence based on innovation, transparency and on a rapid response. To reinforce the proximity established with the Customers, the Bank created a phone line called "Linha Mais Portugal", ensuring to the customers residing abroad the Bank's total availability to respond to any of their requests. The customer may reach the Bank through a phone call charged as a local call when calling determined countries.

The Bank is always paying attention to the possibilities offered by the market and, based on the opportunity presented by the "Golden Visa", the Residents Abroad segment developed a new exclusive offer for those who apply for a residence permit to pursue investment activities, named *Golden Residence Permit* by Mbcp and available in the Portuguese, English and mandarin languages.

One of the priorities for 2014 resides in the capture of remittances from abroad and the results achieved during the first six months of 2014 already translate the efforts made in that area, with a significant growth in the number of remitter customers and in the amount of the transfers made.

Business

Committed to fund and to support the Portuguese economy, namely small Company customers with a turnover under 2.5 million euros, the Bank promoted a set of initiatives during the first six months of 2014, of which we highlight the following:

- Increase of the credit granted through protocol credit lines, especially the credit lines PME Crescimento 2014 and Proder/Promar, together with credit to support commercial activities and exports and investment;
- Implementation of the Program "Empresa Aplauso 2014" attributing this distinction to more than 12 thousand companies, with good risk and a higher involvement with the Bank, that received benefits such as preferential conditions in banking services and in non-financial services to be used until the end of 2014;
- Promotion of preferential conditions also for new company Customers of Millennium bcp, notably the "Empresas PME Líder" (leading small and medium sized companies) and Exporting Companies;
- Increase of the support given to small businesses, namely in terms of treasury management, having stood out the POS already with *contactless* technology and the development of new tools for *Internet Banking* and App for Companies.

As a result of these initiatives, the Bank continued to strengthen its position as partner of Small and Medium-sized Companies and as a Reference Bank in the funding of the Portuguese economy.

Segmentation by product

Savings and Investment

During the 1st half of 2014, Millennium bcp continued to develop its strategy focused on the defence of its financial strength and on the recovery of its profitability levels, translated in a commercial strategy based on growth and retention of funds, in a constant concern with cutting funding costs, so as to improve the margin.

In the first half of 2014, the Retail Network gave a positive contribution for the increase of customers' funds and for the reduction of the cost of the term deposits portfolio. The major contribution for these results was given by the decrease in rates, the launching of products that sustain the reduction in the cost of the portfolio, by an offer oriented towards the diversification of the customer's financial assets, namely Indexed Deposits, and the creation of small savings facilitators through the launching in the internet of the “Savings Centre".

Loans to Individuals

In the first half-year of 2014, we must point out the several initiatives undertaken by the Bank to stimulate the growth and funding of the Portuguese economy:

Personal Loans - the Bank developed several actions to develop this product, namely special price conditions and actions to support the sale; these were widely publicised by the Branches. These initiatives represented a strong increase in sales, in margin and fees.

Mortgage Loans – Due to market conditions and dynamics, the Bank introduced several adjustments in its offer, namely in terms of special price conditions, new solutions for the purchase and exchange of homes and, at the same time, accelerated the process in order to meet its Customer's expectations.

The attention given to the granting of funds for the sale of the bank's real estate properties continued throughout the first six months of 2014.

On the other side, and concerning past due loans and since default is one of the most significant items of the bank's operating account, the Bank continued its campaign, in the entire retail network, for the collection and restructuring of past due loans. This campaign contributed to mitigate the growth of delinquency.

Cards and Payment Means

The Bank's cards portfolio showed very positive growth indicators: 8.3% growth in the number of transactions and more than 6,6% in the respective turnover.

These facts show that consumers regained trust, encouraged by a number of commercial and promotional actions made in the Bank's several channels. In the first quarter of 2014, the new card "Free Refeição" (free meal card) was promoted by the retail network and, successfully, achieved its commercial targets. In the 2nd quarter of 2014, the cards addressed to companies stood out - Debit, Credit and Pre-paid - taking advantage of the purchase seasonal features of this segment. With the arrival of spring and the coming of the summer holidays, the Bank prepared and launched several campaigns to stimulate future earnings together with external partners such as Hotéis Vila Galé, BestTables and Enoteca.

One must point out the significant number of American Express cards sold, as well the positive evolution showed by these cards in terms of invoicing, showing a 16% growth during the first half of 2014.

In the first six months of 2014, the Bank intensified the promotion of the cards Business Gémeos, the only card in Portugal that gives 2% cash back to companies, with a limit of 12 euros and 15 euros per month, respectively, for the Silver and Gold cards, apart from other advantages, discounts and benefits. The same importance was given to the partnership established with the air transportation company TAP in the placing of the *co-branded* cards, the only product with such features available in the market.

On 15 June, a campaign was launched in 16 countries to promote Portugal as a destination, with offers involving more than 300 domestic partners of American Express.

It is important to highlight that the American Express Acquiring Network is extremely dynamic, with over 50 thousand sellers accepting the brand, showing a billing volume growth of 11% year-over-year;

Insurances and non-financial offer

In the first six months of 2014 the Bank reinforced the cooperation established between the Bank and the Insurance Company for the active sale of Risk Insurances by publicising these insurances inside the Bank's Branches - Médis in the first quarter and Móbis (car Insurance) in the second quarter. We must point out the Móbisc campaign, in effect from April to June, wherein the customers benefited from the offer of 1 set of four tyres, of 100 Euros in toll expenses or of a Discount Card in car services, when subscribing a Móbis.

The remaining Risk Insurances, namely the Active Protection (Life Risk), Protection Home+ (Multiple-Risk Home), personal Accidents, among other, were always part of the Bank's offer, with very good results.

To achieve a better alignment with the Bank's strategy seeking to reinforce its position as partner near small and medium-sized companies and self-employed individuals, the insurance offer received new products, such as: Protection Business Funding, Civil Liability *Import/Export* and Transportation of commodities and improvement of the sales operation with the inclusion of simulators that present to the Client a global proposal for its insurance portfolio.

ActivoBank

In the 1st half of 2014, the Bank remained focused on its strategic objectives, namely increasing its customer base and the customers' involvement with the Bank. These objectives are part of the following strategic pillars:

Attracting Customers

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

Customer Loyalty

- Continuation of the implementation of a model of binding and segmentation reinforcement, aimed at identifying and meeting the financial needs of Customers;
- Recovering the prominent and leadership position in the provision of online investment banking services.

In order to materialize the goals mentioned above, during the 1st six months of 2014, several initiatives were developed, amongst which we underline the following:

Growth and consolidation of the commercial network

The Bank focused on the expansion of non-banking recommendations, reaching 179 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.

Institutional communication campaigns and value proposition

Using the several means of communication at its disposal, the bank carried out two institutional campaigns during the first six months of 2014: By the end of March, the Bank launched the first campaign based on innovation with the presentation of the paperless account opening process. This process exclusively uses electronic means. The 2nd campaign was based on the attribution to the bank of the Marktest Reputation Index Award, in the category of Online Banking.

During this period of time, the increased and permanent advertising in 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, with almost 100.000 friends.

Alongside with the institutional communication, the Bank opted for the local regeneration of Activo Points, either through support to specific events in each city or to events with great visibility such as the Color Run and the collaboration established with football clubs.

Launching new products and services, binding and segmentation

During the 1st six months of 2014, ActivoBank launched two accounts addressed to underage individuals: Activo Kid and "Constrói o Teu Futuro", to which it associated the offer of specific reading material to help young people to know how to manage their personal finances.

The bank also launched new mobile transaction apps and investment apps for iOS and Android.

The number of actions undertaken, along with the continuous commitment towards innovation, contributed to a 17% increase of the customer base in the first half of 2014.

Microcredit

During the first six months of 2014, 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.

As a result of the work developed during the first six months of 2014, the Microcredit of Millennium bcp financed 186 new operations, totalling 2.167 million Euros of credit granted and the creation of 319 new jobs. The volume of credit granted to the 1.008 operations in the portfolio, up to 30 June 2014, totalled 7.860 million Euros.

COMPANIES

Companies registered, in the first half of 2014, a negative net contribution of 3.5 million euros, which compares favourably with the negative net contribution of 40.3 million euros posted in the same period of 2013, essentially due to the decrease in the impairment charges.

Million euros

Companies	30 jun. 14	30 jun. 13	Var. 14/13
Profit and loss account			
Net interest income	63.1	63.7	-0.9%
Other net income	29.4	31.4	-6.4%
	92.5	95.1	-2.7%
Operating costs	32.7	33.7	-2.8%
Impairment	65.1	120.3	-45.9%
Net (loss) / income before income tax	(5.3)	(58.9)	91.0%
Income taxes	(1.8)	(18.6)	90.4%
Net contribution	(3.5)	(40.3)	91.4%
Summary of indicators			
Allocated capital	630	463	36.2%
Return on allocated capital	-1.1%	-17.6%	
Risk weighted assets	3,801	4,627	-17.9%
Cost to income ratio	35.4%	35.4%	
Loans to customers	4,802	5,045	-4.8%
Total customer funds	3,445	3,253	5.9%

Notes:

Customer funds and Loans to companies (net of impairment) on monthly average balances.

Net interest income in the first half of 2014 stood, slightly, at the same level as in the same period of 2013, reflecting the decrease in the volume of loans to customers, determined by the lower demand for credit by economic agents, despite the effort in repricing credit operations.

The operating costs reduced 2.8%, to 32.7 million euros, in the first half of 2014, compared with the 33.7 million euros posted in the same period of 2013, reflecting the continued efforts to reduce costs in the activity in Portugal, and in line with the objectives defined under the Strategic Plan.

Impairment charges decreased 45.9% compared with the same period of 2013, which includes the effect of the continuous focus on monitoring mechanisms to control and manage risk.

Loans to customers decreased 4.8%, compared to 30 June 2013, to 4,802 million euros at the end of June 2014, reflecting the lower demand for credit and the reduced private investment as a consequence of the process underway by companies to adjust indebtedness.

Total customer funds amounted to 3,445 million euros as at 30 June 2014, increasing by 5.9% compared to the same period of 2013, for which contributed the evolution posted by customer deposits.

Companies Network

The activities developed by the Companies Network during the first half-year of 2014 continued to strategically focus on support to companies, particularly small and medium-sized ones, reinforcing proximity and proactivity through a permanent contact with the Clients to better know their needs and be able to present tailor-made financial solutions, contributing to improve the company's sustainability.

The implementation of the strategy was made by means of the:

- Increase of the funds granted to the economy directed to the needs associated with the current company's operating cycle as well as with the making of new investments;
- Cooperation established with the companies in their internationalization strategies, taking advantage of the Bank's presence in countries with high growth rates (Angola, Mozambique, Poland and China);

- Development of treasury support solutions, associated to the company's' current business activities, namely the *factoring* and *confirming* as preferential solutions for the management of the company' payments and receivables.

Specifically, amongst the initiatives carried, we must highlight the following:

- Increased use of the GPS as a paramount instrument for the planning and management of the commercial activity, adjusting the commercial activity and the financial solutions to the profile of each customer, identifying business opportunities and, this way, reinforce the Bank's relation with the companies.

- The Bank continued to focus on protocol credit lines, namely:

  - Linha PME Crescimento 2013: a line closed in March 2014. Since its launching in February 2013, the Bank contracted loans amounting to approximately 280 million Euros (achieving a market share of 17.5%, in accordance with data provided by PME Investimentos, the managing entity of the Line) and the leadership in the number of contracted operations (a 20.3% market share);

  - Launching in March of 2014 of the Line PME Crescimento 2014, with a global *plafond of* 2 thousand million Euros aimed at micro, small, medium-sized and large companies with a sub-line exclusively for exporting companies;

  - Launching of the line Comércio Investe, with a global plafond of 25 million Euros to support individual or collective investment projects promoted by companies or entrepreneurial associations to be used for projects for the modernization of the companies of the commercial sector provided that approved by IAPMEI within the scope of "Comércio Investe";

  - Creation of the line "Antecipação de Incentivos IFAP", a short term funding solution to support the current management activities of companies operating in the agriculture and agro-industrial sector, through the advance of the incentives approved by the IFAP;

- Privilege the use of the specialized credit as a solution to support new investments (via *leasing*) and payments and receivables of the company through c*onfirming* and *factoring*. We must point out the following:

  - Creation of the *Cash on Time*, a combined solution aggregating *factoring* and *confirming* that enables companies to receive in advance its Customer's payments and, this way, pay their suppliers;

  - Capture of new *factoring* business and increment the use of the ongoing operations, this way increasing output and the factoring credit balance, excluding the business volume originated in non-core areas, in commercial networks, Corporate, Companies and Retail that achieved a year-on-year growth of 12.4% and 30,5%, respectively, in the first six months of 2014;

  - Increase of the proximity established between the Managers of the Commercial Development Area of the Factoring Business Unit and the Business Networks and in the launching of business actions in the Retail and Companies networks;

  - Use of the credit line “Linha Millennium BEI” due to its paramount importance for the funding of investment projects, preferably near small and medium-sized companies, enabling to fund them via equipment leasing operations under preferential pricing conditions and, at the same time, maintain leasing as a product to help credit restructuring operations and the sale of real estate properties owned by the Bank;

  - A production growth above 40% by the end of June 2014, particularly in equipment leasing and car loans, with a growth of 108% and 168%, respectively, while the real estate leasing recorded a 15% growth;

  - Positive evolution showed by the Bank's market shares. The equipment leasing reversed the trend and increased the bank's market share in 2% and the real estate leasing reinforced its leadership; placing the Bank's global market share at 14.1% *versus the* 11,3% recorded in the previous year (data from May issued by the Leasing, Factoring and Renting Portuguese Association);

  - Development of initiatives to support the internationalization of companies, notably the meetings “Millennium Trade Solutions” in Braga, Caldas da Rainha and Lisbon, sessions the purpose of which is to present and debate the trade finance solutions made available by the Bank and the company's needs while pursuing their internationalization strategies.

- Company treasury management actions, such as:
    - Presentation of personalized solutions for treasury and transactions managing companies and tools to handle payments to suppliers and employees and receivables from Customers;
    - The Bank continued to provide SEPA solutions for payments and collections in the several channels made available by the Bank, namely the companies website and the Multi-banking Channel, of which we point out the technical conversion of domestic direct debits into the SEPA layout, the online C2B XML files validation device and the online construction of XML files;
    - The Bank also sponsored the 8th Annual EuroFinance Conference, themed “Risk and Treasury Management for Companies in Portugal”.
- The Bank carried out the “Jornadas Millennium Empresas” in Lisbon, Leiria and in the western region of Portugal. These were debate conferences to approach issues related with the economic prospects of the country and of the companies operating in the regions involved in the debate, as well as the products and services offered by Millennium bcp for the development of their economic activities. Local entrepreneurs attended these conferences the purpose of which was to support local companies to increase their competitiveness and develop internationalization strategies.
- The Bank held “Workshops on Agricultural Entrepreneurship” - conferences to develop agricultural activities, presenting cases of success and debating some of the major themes related with the farming sector.

Interfundos

The number of transactions made increased during the first half of 2014 triggered by the return of the investors to the market, more confident in the different activity sectors and expecting to get higher yields in comparison with the ones achieved in most other countries. The sales of rented assets as an investment, the notorious success achieved by the housing segment within the scope of the Program Golden Visa and by the tourism sector are consistent signs that the market is, once more, functioning. Within this environment featured by trust and positive dynamics, the priorities of Interfundos focused on -a combination of liquidity of the funds, via capital increase operations (Funds Oceânico and Oceânico III) and the sale of assets, in the total amount of 50.4 million Euros and the preservation of the value of the assets, together with initiatives to reduce the high non-occupation rates by improving the assets trading procedures. At the same time, the Bank carried out a consultation to select “Property Managers” to ensure and strengthen the strategy for the recovery of the business indicators of Fundo AF Portfólio Imobiliário. On behalf and in representation of Fundos Imopromoção and of AF Portfólio Imobiliário, the Bank renegotiated with Sociedade de Reabilitação Urbana Porto Vivo the Urban Rehabilitation Contract of Quarteirão de D. João I. In the first half-year of 2014 the volume of assets of the 42 funds under management by Interfundos reached around 1.5 thousand million Euros and it became market leader.

Real estate business

The strategic priorities of the Real Estate Business Division during the first six months of 2014 were the following:

- In credit, the development of solutions for the restructuring of projects to ensure their sustainability and to reduce expected losses;
- Concerning real estate properties, the reduction of the time to market of the real estate assets and increase sales dynamics.

Amongst the various initiatives undertaken, we highlight the following:

- Increase in the number of Real Estate Promotion Customers handled by the Real Estate Business Division and subsequent development of the banking relation;
- Development of the sales programme M Imóveis so as to include Customers' undertakings, creating the conditions for the sale of financed projects, with financial support provided by the Bank, with a significant impact on sales.

- Reinforcing diagnosis and re-structuring models and exploring new channels to sell assets;
- Containing the entry of new real-estate properties by acting upstream of their entrance in the Bank's portfolio, as well having them less time with the Bank through the optimisation of processes and the provision of services by *outsourcers*;
- Developing new partnerships for the sale of real estate properties outside Portugal and attending international auctions, seminars and fairs;
- Consolidating the sales channels in Portugal through partnerships established with specialised real estate brokers (specialized in non-housing properties), nation-wide and segment-specific campaigns, nation-wide and regional auctions and, more recently, residential campaigns in Algarve.
- Introduction of non-housing auctions and a strong commitment in this sector with the consequent increase of sales, if compared with the residential sector.

Corporate & Investment Banking

Corporate & Investment Banking net contribution stood at 78.3 million euros in the first half of 2014, comparing favourably with the net loss of 5.1 million euros recorded in the same period of 2013, essentially due to the decrease in the impairment charges.

Total income, including net interest income and net commissions, showed a favourable evolution by increasing 7.5%, from the first half of 2013, influenced by the increase in the commissions associated with financial services.

In the first half of 2014 operating costs stood, almost, at the same level as in the same period of 2013, standing at 18.9 million euros, reflecting the continued efforts to reduce costs in the activity in Portugal, in line with the objectives defined in the Strategic Plan.

Impairment charges decreased 78.0%, when compared with the amount recorded in the same period of 2013, reflecting the effect of the continuous focus on monitoring mechanisms to control and manage risk.

As at 30 June 2014 loans to customer decreased by 9.5%, from the same date in 2013, to 7,493 million euros, reflecting lower demand for credit and the reduced private investment as a consequence of the process underway by companies to adjust indebtedness.

Total customer funds stood at 8,990 million euros as at 30 June 2014, decreasing 7.4% from 30 June 2013.

Corporate

Within the current conjuncture, the strategic performance of the Corporate Network focused on the following activities:

- Strong proximity to companies, aiming at increasing knowledge on the activities they develop and on their growth plans to be able to present to them financial solutions that are adjusted to their needs, both concerning their current activity and new investments;
- Support to the internationalisation of the companies, taking advantage of the potential offered by the bank's operations in geographies showing strong growth rates – namely, Poland, Angola, Mozambique and China -, in articulation with the International Division;
- Joint performance with the Large Corporate Division in the reinforcement of the business relation with the main economic groups exercising activities in Portugal, creating *tailor-made* solutions that match the specific features of each group.

Among the initiatives developed during the first six months of 2014, we must point out the following:

- Development of a strong commercial activity based on an ongoing use of the GPS (application to support the commercial activity), notably in terms of the planification of visits to Clients and the identification of business opportunities;
- Focus on the financing of companies pursuing sustainable strategies, particularly in what concerns the making of new investment projects, international or domestic, benefiting from the increasing trust evidenced by entrepreneurs;

- Development of global relations with the Customers, by aggregating financing solutions with products related to transactions (namely payments and receivables) involving the presentation of treasury management personalized solutions;
- The Bank continued to provide SEPA payment and collections solutions through the several channels made available by the Bank, namely the companies website and the multi-banking channel, of which one may point out the technical convertor of files with domestic direct debits in SEPA layout, within the migration for SEPA process in effect during 2014.
- The Bank continues to support the implementation of internationalization projects by customer companies, developing, in articulation with the International Division, preferential contacts with new markets that receive products exported by the Portuguese companies, facilitating the approach to those markets and usingc the synergies with the Bank's international operations;
- Establishment of a close articulation with the Large Corporates Division and with the Investment Banking Division, using the specialized *know-how* of these areas to develop new business opportunities in treasury management, placement of debt and advising services for investment projects in Portugal and also in the assessment and development of international operations.

INVESTMENT BANKING

In the first half-year of 2014, the share indexes of the major developed markets, in the United States of America and in Europe, valued 3% to 6%, and, once again, reached historical maximum values. PSI20 also valued 3.7% during this period of time.

In stock brokerage, the Bank achieved a leading position in online stock exchange business, with a 23.7% market share. This fact, alongside with the 50% growth year-on-year in the number of stock exchange services to institutional and individual customers with direct access to the Dealing Room, gave the Bank a leading position in the financial intermediation of shares between Portuguese banks, players of Euronext Lisboa, with a 8% market share. The development of new tools in the stock exchange area of the Millenniumbcp website, oriented to simplicity, comprehensiveness, an easy follow-up and a rapid execution of orders, have enabled Millennium bcp to increase its number of clients and the volumes traded.

The Customer's adhesion to investment in certificates issued by the Bank continues to be significant, represented by a growth of more than 100 million Euros in these six months, which increased the amount invested to more than 400 million Euros. The most wanted certificates are those from the major world indices, namely European and American. This growth and type of demand show the strong interest that individual customers have in investing in share markets with a rational of achieving a balanced management of their assets, oriented towards the potential gains offered by those markets and the diversified investments they offer.

The Share Markets Department (DMA) participated actively in the IPO operations of Espírito Santo Saúde and in the accelerated bookbuilding of EDP shares held by Group José de Mello and of Mota Engil shares held by the Mota family, through the placement with institutional investors, providing an income amounting to more than 2 million Euros for the Group.

In May, DMA was also responsible for organizing, coordinating and holding the Pan-European Days Conference in New York, attended by the top managers of the 13 most important Portuguese listed companies. This road show resulted in 96 meetings with 70 American investors.

The Bank received two Euronext Awards due to the work it carried out in the stock exchange in 2013, namely for being the most active trading house in certificates and for being the most active trading house in warrants.

In the Retail network the Bank continued to offer structured investment products, especially oriented to indexed deposits due to the Clients' increasing appetite for this type of investment where the capital is guaranteed and the term is shorter. The total amount placed during these six months exceeded 800 million Euros, evidencing the Clients' appetite for this investment alternative due to the reduction made to the rates offered by the system to conventional term deposits. For Private Banking customers, the indexed deposits offer was complemented with products with a less conservative profile due to the increasing interest evidenced by customers; a total amount of more than 44 million Euros were placed.

In spite of the decrease in external trade volumes by the end of 2013 and beginning of 2014, the foreign exchange business with Customers increased and clearly exceeded the level reached in 2013. Notwithstanding, the reduced volatility of the main currencies conditioned the results achieved by this activity. The interest rate risk hedging opportunities remained conditioned by the reduced number of new medium and long-term financing operations and by the expectation that the pressure exercised by the monetary policy towards the maintenance of low interest rates will continue.

During the first six months of 2014, Millennium investment banking maintained its presence in the segment of bond issues addressed to retail and was joint-lead manager of the bonds public offering of Porto SAD (20 million Euros). The Bank was also *Joint Lead Manager* and *Joint Bookrunner* of the underwriting syndicates to place the bond loans issued by Brisa – Concessão Rodoviária, S.A. with institutional investors (300 million Euros) and by EDP Finance, B.V (EUR 650 Mio). The first six months of 2014 was also featured by an increase in funding operations, translated in the engagement of new Commercial Paper operations. Within this context, we must mention the operations lead by the Bank for Celulose Beira Industrial (CELBI), S.A. (100 million Euros) and for Group Salvador Caetano (two grouped Programs in the total amount of 70 million Euros), plus a number of new operations involving smaller amounts and renewals of existing Programs.

Apart from organizing and setting-up the share capital increase of Millennium bcp, amounting to around 2.25 billion Euros – the largest rights offering ever made in Portugal – Millennium investment banking was the Joint Bookrunner of the placements made by means of *accelerated bookbuilding* of shares representing 2,6% of the share capital of EDP – Energias de Portugal, S.A. (303.3 million Euros), sold by José de Mello Energia, S.A. and 16.8% of shares representing the share capital of Mota-Engil, SGPS, S.A (159.5 million Euros), sold by the company and by its majority shareholder. Millennium investment banking also advised the company Vinci Concessions Portugal, SGPS, S.A. in the compulsory takeover for the purchase of the total share capital of ANA – Aeroportos de Portugal, S.A. The Bank also participated in the underwriting syndicates of the IPO of Espírito Saúde and of the 2nd privatisation stage of REN – Energias de Portugal, S.A..

In Corporate Finance, the Bank participated in several relevant projects, providing financial advising to its Clients in files involving the study, development and making of M&A operations, evaluation of companies, corporate restructuring and reorganization processes, as well as projects' economic-financial analysis and research.

Concerning the several mergers & acquisitions advising works carried out by the Bank, we must emphasize the advising services provided to Millennium bcp in the (ongoing) sale of its controlled company Millennium Gestão de Ativos, SGFIM, S.A..

In February of 2014, the operation for the capitalization of the construction business area of Group Soares da Costa SGPS ended. This operation was assisted by Millennium investment banking. Also in March 2014, the increase of own funds of the media area of Group Controlinveste undertaken in the wake of its strategic repositioning, came to an end. Millennium investment banking acted as advisor in this process.

Million euros

Corporate & Investment Banking			
	30 jun. 14	**30 jun. 13**	**Var. 14/13**
Profit and loss account			
Net interest income	107.1	100.7	6.4%
Other net income	57.2	52.2	9.7%
	164.4	152.9	7.5%
Operating costs	18.9	19.0	-0.1%
Impairment	31.1	141.3	-78.0%
Net (loss) / income before income tax	114.4	(7.4)	>200%
Income taxes	36.0	(2.3)	>200%
Net contribution	78.3	(5.1)	>200%
Summary of indicators			
Allocated capital	885	976	-9.4%
Return on allocated capital	17.9%	-1.0%	
Risk weighted assets	8,000	9,763	-18.1%
Cost to income ratio	11.5%	12.4%	
Loans to customers	7,493	8,279	-9.5%
Total customer funds	8,990	9,705	-7.4%

Notes:

Customer funds and Loans to companies (net of impairment) on monthly average balances.

The Structured Finance Division continued with its activities of assessment and syndication of medium long term loans originated in the Angolan and Mozambican markets and the assessment and economic-financial restructuring of Portuguese companies and of some Portuguese economic groups.

The Bank continued to capture new business in Angola and Mozambique, a process initiated last year that significantly increased its competitive positioning in these countries. The Bank acted as advisor in the area of corporate finance and structured finance in several operations carried out in those countries.

ASSET MANAGEMENT & PRIVATE BANKING

Asset Management & Private Banking, in accordance with the geographic segmentation, recorder, in the first half of 2014, a net contribution of 3.7 million euros, comparing favourably with the negative net contribution of 2.9 million euros in the first half of 2013. This performance was due to the rise in net interest income and to the increase showed by other net income.

The increase in net interest income in the first half of 2014, compared with the same period of 2013, was mostly influenced by the reduction of term deposits interest rates, following the effort to reduce the cost of term deposits.

In the first half of 2014, other net income increased 46.3%, when compared with the same period of 2013, to 14.5 million euros, essentially, due to the commissions related to asset management, which were influenced by the increase in volume and price.

In the first half of 2014, operating costs increased to 8.4 million euros, compared to the 7.7 million euros posted in the same period of 2013. The performance of operating costs includes the effect associated with the revision of the costs allocation process between the business areas, without impact at the consolidated level.

Loans to customers decreased 6.7% from 30 June 2013, to 249 million euros as at 30 June 2014.

Total customer funds, as at 30 June 2014, went up by 6.3%, from the same period in 2013, to 4,594 million euros, influenced by the increase of assets under management.

Million euros

Asset Management & Private Banking	30 jun. 14	30 jun. 13	Var. 14/13
Profit and loss account			
Net interest income	(1.0)	(6.8)	85.7%
Other net income	14.5	9.9	46.3%
	13.5	3.1	>200%
Operating costs	8.4	7.7	8.4%
Impairment	(0.2)	(0.3)	31.4%
Net (loss) / income before income tax	5.4	(4.3)	>200%
Income taxes	1.7	(1.4)	>200%
Net contribution	3.7	(2.9)	>200%
Summary of indicators			
Allocated capital	18	23	-22.1%
Return on allocated capital	41.1%	-25.4%	
Risk weighted assets	165	232	-28.7%
Cost to income ratio	61.9%	252.5%	
Loans to customers	249	267	-6.7%
Total customer funds	4,594	4,321	6.3%

Notes:

Customer funds and Loans to companies (net of impairment) on monthly average balances.

Asset Management

Within the scope of the Restructuring Plan of Banco Comercial Português agreed with the European Commission, the Bank assumed the commitment to, (i) until the end of the financial year of 2014, close all its activities connected with the management of investment funds (with some exceptions) operating only as a distributor of funds managed by third parties, adopting an open architecture distribution model in the retail network segment and to (ii) sell MGA, or transfer the securities investment funds managed by this company to an external company. Therefore, in 2014, the sale of these products is due to enter into a new stage wherein the Group's different networks and distribution platforms shall promote the distribution of an extensive number of investment funds, from domestic and international managing companies, increasing its value proposal, due to a careful selection made from a wide-ranging set of managers and markets.

Private Banking

The strategic priorities of the Private Banking network during the first six months of 2014 were:

- Provide a service of excellence to its customers, able of meeting their needs in a proactive and efficient manner, always abiding by the full observance with compliance rules;
- Increase the assets under management and diversify products, offering higher value-added products;
- Take advantage of the synergies resulting from the interaction between Private Bankers and Investment Experts to consolidate the *advisory model*.

The most important targets established for 2014 were:

- Increase the customers base;
- Improve the Client Service levels;
- Maximize the Customer's portfolio profitability;
- Participate actively in the Bank's growth model.

The following initiatives to materialize the strategic priorities mentioned above are currently being implemented by the Private Banking network:

- Increment resources by increasing the number of new clients and increase the *share of wallet* of the current ones;
- Develop and consolidate the Discretionary Management offer based exclusively on an open architecture strategy;
- Increase the cross-selling level of the Private Banking network.

BUSINESS ABROAD

Net contribution of the Foreign Business, in accordance with the geographic segmentation, stood at 139.6 million euros in the first half of 2014, comparing favourably with 122.1 million euros in the same period of 2013.

Million euros

Foreign Business			
	30 jun. 14	30 jun. 13	Var. 14/13
Profit and loss account			
Net interest income	274.5	227.8	20.5%
Other net income	167.6	182.8	-8.3%
	442.1	410.6	7.7%
Operating costs	225.6	221.7	1.7%
Impairment	40.5	37.7	7.4%
Net (loss) / income before income tax	176.0	151.1	16.5%
Income taxes	36.4	29.0	25.5%
Net contribution	139.6	122.1	14.3%
Resultado de operações descontinuadas			
Resultado após operações descontinuadas			
Summary of indicators			
Allocated capital	1,118	1,039	7.6%
Return on allocated capital	25.1%	23.6%	
Risk weighted assets	10,778	10,176	5.9%
Cost to income ratio	51.0%	54.0%	
Loans to customers	12,629	11,562	9.2%
Total customer funds	16,293	15,128	8.4%

Notes: Foreign business segment does not include Millennium bank in Greece and Banca Millennium in Romania since they are considered discontinued operations.

Net interest income in the first half of 2014 increased 20.5%, compared with the same period in 2013, reflecting the reduction in the cost of customer deposits and the increase in the volume of loans to customers, supported by the operations in Poland, Angola and Mozambique.

Operating costs showed, in the first half of 2014, an increase of 1.7%, compared to the same period in 2013, reflecting the increase in advertising expenses in Poland and the impact of the expansion plans underway in the subsidiary companies in Angola and Mozambique.

As at 30 June 2014, loans to customers rose 9.2%, from 30 June 2013, to 12,629 million euros, reflecting the increases posted by the subsidiary companies in Poland, Angola and Mozambique.

As at 30 June 2014, total customer funds rose 8.4%, from 30 June 2013, boosted by the growths in balance sheet customer funds and off-balance sheet customer funds, as a result to the favourable performance reached especially in Poland, Angola, Switzerland and Mozambique (in this case excluding the exchange rate effect from the devaluation of the metical against the euro), materialising the focus to further increase customer resources in these markets.

EUROPEAN BANKING

Poland

During the first six months of 2014, Bank Millennium continued to implement the medium-term strategy envisaged for 2013-2015 and announced in October 2012. This strategy was targeted at higher levels of profitability, improved efficiency, solid liquidity and capital levels and the highest level of quality together with the development of digital capabilities to face future challenges. The strategy focused on higher margin products and increasing presence in corporate banking. Improved sales effectiveness and maintaining efficiency advantage through cost discipline continued to be top priorities.

The main initiatives to materialize the strategy included improvement of the balance sheet structure both on the asset side and on the liability side. In the first half-year of 2014, the Bank continued to focus on consumer and corporate loans growth action plans. These efforts will be carried on throughout the year. At the same time, the Bank advanced in CRM capabilities, which positively impacts sales effectiveness. The Bank is embracing future challenges through investment in multichannel platform, further strengthening online and mobile banking, both for corporate and retail, as well as reviewing branch network structure and formats to ensure efficiency and to adapt to customer trends. The maintenance of a high quality service and exceptional customer experience remain of strategic importance.

Bank Millennium is consistently implementing its strategy and those efforts were evident in the results achieved during the first six months of 2014. Sale of consumer loans accelerated in the first half of 2014, and recorded a significant year-on-year 22% growth. The 2Q 2014 was the best ever quarter with PLN 516 million (124 million Euros) of new consumer loans. The second strategic priority, loans to companies, also grew very strongly, by 13% year-on-year, which led to a gradual increase of share of corporate loans in total loan portfolio, from 25% in October 2012 to 29% in June 2014.

Million euros

	1H 2014	1H 2013	Change % 14/13	1H 2013	Change % 14/13
				excluding FX effect	
Total assets	14,249	13,172	8.2%	13,745	3.7%
Loans to customers (gross)	10,761	9,979	7.8%	10,413	3.3%
Loans to customers (net)	10,435	9,686	7.7%	10,107	3.2%
Customer funds	12,663	11,635	8.8%	12,141	4.3%
Of which: on Balance Sheet	11,143	10,273	8.5%	10,720	3.9%
off Balance Sheet	1,520	1,362	11.6%	1,421	7.0%
Shareholders' equity	1,307	1,153	13.4%	1,203	8.7%
Net interest income	174.5	134.1	30.2%	134.5	29.7%
Other net income	90.8	100.5	-9.7%	100.9	-10.0%
Operating costs	132.3	131.6	0.6%	132.0	0.2%
Impairment and provisions	33.4	27.2	22.8%	27.3	22.3%
Net income	76.4	60.5	26.3%	60.7	25.9%
Number of customers (thousands)	1,277	1,256	1.6%		
Employees (number) (*)	5,883	5,874	0.2%		
Branches (number)	430	441	-2.5%		
Market capitalisation	2,268	1,457	55.6%	1,520	49.1%
% of share capital held	65.5%	65.5%			

Note: the source of the information presented in this table were, whenever available, the financial statements

Source: Bank Millennium

FX rates:

Balance Sheet 1 euro =	4.1568	4.3376	zloties
Profit and Loss Account 1 euro =	4.1891	4.2037	zloties

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

On the deposit side (4.3% growth year-on-year) they continued to record a significant growth (4%), if compared with the same period of 2013. In the strategic areas, like current accounts and retail deposits, the pace of growth is much higher.

Realization of all main strategic activities allowed the Bank to improve its profitability and efficiency, as assumed in medium-term targets Net profit of the Group in the first half-year of 2014 grew by 25.9% year-on-year and reached 76.4 million Euros, which is the best ever half-year if not counting one-off results achieved in 2005. Core income was the main driver of profit growth, of which proforma net interest income grew significantly, by 21.9% year-on-year. On the other hand, operating costs remained flat in 1H 2014 versus last year. As a consequence, cost-to-income ratio went down strongly during 1H 2014 and already dropped below 50% i.e. below the target assumed for 2015.

Improvement of Bank's results was accompanied by conservative liquidity and capital base maintenance (the adequacy capital ratio stood at 13.8% and common equity tier 1 at 13.0% in June 2014). Loan-to-deposit ratio during the last two years remained below 100%.

Romania

The Bank signed on 30 July 2014 an agreement with OTP Bank regarding the sale of the entire share capital of Banca Millennium (Romania) ("BMR"). The transaction is subject to customary conditions, in particular to obtaining regulatory approvals.

The aggregate consideration for the sale of the share capital of BMR was agreed at 39 million euros. On the date of closing of the sale transaction, OTP Bank will ensure full reimbursement to BCP of the intragroup funding currently provided by BCP to BMR, amounting to approximately 150 million euros.

The impact of the transaction on BCP's consolidated common equity tier 1 ratio is estimated to be negligible, reflecting a loss of 34 million euros, for which a provision was charged to the consolidated profit and loss account for the first half of 2014, offset by a 351 million euros release of risk-weighted assets, as already factored in the pro forma capital ratios recently reported as of 30 June 2014 (12.5% in accordance with phased-in criteria, 9.0% on a fully implemented basis).

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 2014, clients' assets under management totalled 2.4 billion euros representing a 3.5% increase compared with December 2013 This growth results mainly from the positive evolution of the market value of the portfolios coupled with net new money acquisition. Although at a slower pace the credit portfolio decreased by 8.1% in the first six months of 2014 to 203 million euros.

Million euros

	1H 2014	1H 2013	Change % 14/13	1H 2013	Change % 14/13
				excluding FX effect	
Total assets	470	398	18.1%	404	16.3%
Loans to customers (gross)	203	242	-16.3%	246	-17.5%
Loans to customers (net)	202	217	-6.9%	220	-8.2%
Customer funds	2,355	2,091	12.6%	2,123	10.9%
Of which: on Balance Sheet	318	286	11.0%	291	9.3%
off Balance Sheet	2,037	1,805	12.9%	1,832	11.2%
Shareholders' equity	90	99	-8.9%	100	-10.3%
Net interest income	2.4	3.0	-19.6%	3.0	-20.2%
Other net income	12.6	10.8	16.5%	10.9	15.6%
Operating costs	9.9	8.8	12.1%	8.9	11.2%
Impairment and provisions	0.1	0.0		0.0	
Net income	3.8	3.8	-0.4%	3.8	-1.1%
Number of customers (thousands)	2	2	9.3%		
Employees (number)	67	67	0.0%		
Branches (number)	1	1	0.0%		
% of share capital held	100%	100%			

Note: the source of the information presented in this table were, whenever available, the financial statements

FX rates:

Balance Sheet 1 euro =	1.2156	1.2338	swiss francs
Profit and Loss Account 1 euro =	1.2193	1.2288	swiss francs

During the first six months of 2014, commission revenue grew by 2.2 million euros compared to June 2013 that more than compensated the reduction of the net interest income of 0.6 million euros resulting from the low interest market rates and credit volumes. Operating costs were higher versus June 2013 due to reversals of provisions and extraordinary items that were booked in 2013; in spite of this expected growth, the Bank realized a net profit of 3.8 million euros, at the same level as June 2013.

During the last six months of 2014, 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.

OTHER INTERNATIONAL BUSINESSES

Mozambique

Millennium bim continues to carry out its 2014 strategic plan that will enable it to maintain its leading position in terms of deposits and credit.

The 2014 strategic plan intends to strengthen the Bank's leading position in the 3 performance segments and is based on:

- The expansion of its branch network focused on an ongoing improvement of its service quality, enabling the bank to increase its customer base;
- The development of the remote channels (Millennium IZI, Internet Banking and ATM and POS networks), to remain close to its Customers;
- In the Prestige segment, development of the relation established with the Clients and provision of a service of excellence;
- In the corporate segment, reorganisation of the business procedures to achieve an increasingly better customer service.

During the first six months of 2014, Millennium bim strengthened its leading position in the banking sector in Mozambique and the ongoing development of the branch network enabled the Bank to have 159 branches (152 in June 2013). In remote channels, Millennium bim continues to have the highest number of ATMs (419 units) and POS (5,167 units), recording a 5% and 11% growth, year-on-year.

Million euros

	1H 2014	1H 2013	Change % 14/13	1H 2013	Change % 14/13
				excluding FX effect	
Total assets	2,072	2,055	0.8%	1,860	11.4%
Loans to customers (gross)	1,293	1,191	8.6%	1,078	19.9%
Loans to customers (net)	1,224	1,114	9.8%	1,009	21.3%
Customer funds	1,556	1,571	-1.0%	1,423	9.4%
Of which: on Balance Sheet	1,556	1,571	-1.0%	1,423	9.4%
Shareholders' equity	372	347	7.0%	314	18.2%
Net interest income	66.4	59.7	11.1%	55.4	19.9%
Other net income	36.6	43.3	-15.4%	40.1	-8.7%
Operating costs	46.5	46.2	0.6%	42.8	8.5%
Impairment and provisions	5.0	7.4	-32.4%	6.8	-27.1%
Net income	41.7	40.5	2.9%	37.5	11.1%
Number of customers (thousands)	1,256	1,182	6.2%		
Employees (number)	2,454	2,439	0.6%		
Branches (number)	159	152	4.6%		
% of share capital held	66.7%	66.7%			

Note: the source of the information presented in this table were, whenever available, the financial statements

FX rates:

Balance Sheet 1 euro =	43.0650	38.9900	meticais
Profit and Loss Account 1 euro =	42.9779	39.8325	meticais

The trend observed in the financial system in the end of 2013 continued in the first six months of 2014, i.e. the growth in credit granted exceeded growth in resources. This factor, together with a expansionist Government budget (increasing public expenditure) and the need to keep sustainable and prudent liquidity ratios, forced the commercial banks to continue to seek new resources, with the consequent impact on their cost.

At the same time, in 2014, Millennium bim continued to launch innovative products and services to fully meet the financial needs of its clients, such as:

- EMV Debit and Credit Cards - The project for the issue of cards with chip, denominated “Project EMV”, is part of the bank's strategy to reinforce safety in the use of cards, increasing the protection given to transactions made by the Customers and also to the Bank;
- Solução Mulher (Woman Solution) - an offer composed by products and services targeted at female individual customers granting them access to (i) one Current Account and (ii) a specific Electron card, to (iii) a women savings plan with access to an automatic credit line, as well as (iv) the offer of a health insurance covering birth and (v) the expenses incurred in the treatment of uterus colon cancer and breast cancer;
- Millennium IZI in Movitel - Provision of the mobile service Millennium IZI in the most recent mobile operator of the country, Movitel, thus ensuring that this service is present in all mobile operators;
- Deposit TÁ SOMAR - 1 year term deposit with an interest rate that grows every quarter. This deposit intends to increment savings versus current market trends featured by growth in credit.

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 evidenced by the increase registered in the number of clients, more than 1.255 thousand, representing an increase exceeding 6%, year-on-year.

In spite of the economic conjuncture experienced by the financial sector, Miilennium bim attained by the end of the first six months of 2014 a net income of 41.7 million Euros, representing an increase of 11.1%, in MZM, year-on-year and enabling a return on equity above 23.2%. Despite the impact in costs caused by the expansion of the branch network mentioned above, the cost to income ratio stood at 45%.

Loans to customers recorded a 19.9%, in MZM, increase versus June 2013, reaching 1.293 million Euros, while customer funds increased 9.4%, in MZM, to 1.556 million Euros.

Additionally and still part of its strategic positioning, the Bank developed investment banking activities, participating in major projects, providing a significant contribution for the Bank's business development, strength and financial stability.

Angola

In 2014, the main goal of Banco Millennium Angola (BMA) is to continue to grow. For that purpose it established as main strategic guidelines the expansion of its commercial network, the capture of new clients, the offer of innovative tailor-made products and services for all business segments and the achievement of a significant increase in customer's credit and deposits volumes to be able to continue to increase its market share. Lastly, the policy for the recruitment and training of Angolan managers that is being developed since the day the bank started to operate in Angola will continue to be incremented, together with the reinforcement of the risk management and control processes.

Concerning the expansion of its branch network, during the 1st six months of 2014 the bank opened 2 new Branches, having now 84 retail branches, of which 50 are open to the public on Saturday's morning. It also has 7 Prestige Centres and 6 Companies Centres.

The number of customers reached 323,545 in June 2014, a 19% growth versus 2013.

In products and services, during the first 6 months of 2014, BMA launched the MSaúde, the first health insurance designed by Millennium Angola under a partnership established with Universal Seguros, whose main objective is to offer the best health care in Angola and abroad; Leasing Auto, with the claim “Choose the car that fits you”; the car insurance MAuto, the trademark of Banco Millennium Angola subscribed by GA Seguros Angola and the SME Excellence, an innovative program whose purpose is to distinguish, among all the Bank's customers, the companies that stood out for their economic performance, professionalism and financial strength. We must mention that, in June, the Bank held the first gala for the delivery of awards; 230 companies were distinguished with the Award SME of Excellence 2014.

Within the scope of the Program Angola Investe, a program created by the Angolan Government together with the commercial banks aiming at promoting the granting of credit to micro, small and medium sized companies, BMA, in the first six months of 2014 and similar to what happened in 2013, continues to hold the leading position in terms of loans approved and granted and respective amounts. This program intends to help Angola and the Angolan companies to grow and to develop the Angolan economy. The intention is to strengthen the entrepreneurial spirit of the Angolan people and foster the country's growth

Human Resources remain a priority. In February, the Bank held the Objectives Meeting themed "One thousand Voices, One Bank " attended by around 300 Employees from all over the country; 27 excellence awards were delivered to the employees whose performance stood out in 2013.

To attract new talents, the Bank continued to participate in job fairs (Luanda and Lisbon) and to carry out presentations in the University Agostinho Neto. The bank launched the development project People Grow, as well as a program for the identification and management of talents.

Also within the scope of social responsibility, in 2014, BMA sponsored the first edition of the Angolan Food Bank and involved its employees in this initiative.

On the other hand, Banco Millennium Angola participated in the 1st International Medical and Hospital Equipment, Technology, Medication and Consumer Goods Fair; in the 4th Edition of FIB (international fair of Benguela) and in the Angola Motor Show where the Bank had a stand themed Leasing Auto – Choose the car that fits you!

By the end of the first six months of 2014, BMA attained a net income of 23.1 million Euros, representing a 33.6%, in kwanza, growth if compared with the same period of 2013.

Million euros

	1H 2014	1H 2013	Change % 14/13	1H 2013	Change % 14/13
				excluding FX effect	
Total assets	1,719	1,382	24.4%	1,307	31.5%
Loans to customers (gross)	787	535	47.0%	507	55.3%
Loans to customers (net)	749	506	48.1%	478	56.5%
Customer funds	1,265	970	30.3%	918	37.8%
Of which: on Balance Sheet	1,265	970	30.3%	918	37.8%
Shareholders' equity	272	237	14.7%	224	21.2%
Net interest income	40.6	33.3	21.7%	31.5	28.9%
Other net income	27.7	29.4	-5.7%	27.7	-0.1%
Operating costs	36.6	35.4	3.5%	33.4	9.6%
Impairment and provisions	3.4	3.2	5.2%	3.0	11.4%
Net income	23.1	18.3	26.1%	17.3	33.6%
Number of customers (thousands)	324	272	18.9%		
Employees (number)	1,107	1,066	3.8%		
Branches (number)	84	78	7.7%		
% of share capital held	50.1%	50.1%			

Note: the source of the information presented in this table were, whenever available, the financial statements

FX rates:

Balance Sheet 1 euro =	133.2000	126.0200	kwanzas
Profit and Loss Account 1 euro =	133.7308	126.2933	kwanzas

Net operating revenues increased 15,3% versus the same period of 2013, totalling 68.3 million Euros. We must stress the 28.9%, in AOA, increase of the financial margin versus the same period of 2013 and of fees, increasing 6.6%, in AOA, versus the same period of 2013.

Return on Equity (ROE) stood at 17.9%, in AOA, (16.3% in June 2013).

Loans to customers (gross) increased 55.3%,in kwanza, to 787 million Euros and customer funds increased 37.8%, in AOA, to 1.265 million Euros.

Macau

The presence of Millennium bcp in the East dates back to 1993, with the opening of an offshore branch. However, it was in 2010 that the activities developed by the Macau Branch increased due to the attribution of a full onshore license The Branch is an international platform of the Group for customers of the affluent segment and company customers with interests in China, Europe and in African Portuguese-speaking countries.

Pursuing the strategic guidelines set forth in the last six months of 2013, the branch is consolidating its local presence with the purpose of increasing its balance sheet funds with an exclusively local origin, paying special attention to exporting companies with economic interests in Portuguese-speaking countries and to investors within the Program Golden Residence Permit.

Amongst the initiatives adopted to consolidate the 2014 strategy, we may point out the following:

- Active participation, working closely with the Group, in Golden Residence Permit actions in Macau;
- Operationalisation of an integrated solution of the head office and of the Macau Branch, addressed to companies with interests in China that enables the making of commercial payments in Renminbi between Group BCP and other financial institutions;
- Analysis and development of additional means of payment with the support of the head office for the Branch's individual and corporate customers;
- Implementation of the home banking platform that will enable to, by the end of 2014, expand the services provided by the Branch to Clients coming from the several networks of the Bank. We must point out the increasing interest shown in the Macau solution by the Private, Companies and Corporate networks.

Cayman Islands

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.

Millennium bcp Bank & Trust reported a net profit of 5.3 million euros in the first six months of 2014, down from 2.5 million euros obtained in the same period of last year, penalized by unfavourable net interest income, offset by the reduction of the balance sheet, despite the lower level of the cost of risk, savings in operational costs and the positive contribution of commissions.

Million euros

	1H 2014	1H 2013	Change % 14/13
Total assets	870	1,510	-42.4%
Loans to customers (gross)	50	93	-46.3%
Loans to customers (net)	47	92	-49.0%
Customer funds	586	692	-15.3%
Of which: on Balance Sheet	574	681	-15.7%
off Balance Sheet	12	11	8.5%
Shareholders' equity	280	282	-0.7%
Net interest income	4.3	8.7	-50.2%
Other net income	0.7	0.5	51.3%
Operating costs	1.1	1.4	-24.3%
Impairment and provisions	-1.3	0.0	< -200%
Net income	5.3	7.8	-31.8%
Number of customers (thousands)	0.4	0.5	-16.1%
Employees (number)	15	18	-16.7%
% of share capital held	100%	100%	

Note: the source of the information presented in this table were, whenever available, the financial statements

Millennium bcp Ageas

Throughout the period of time under analysis, life insurances continued to grow and closed the first six months of 2014 with a 28% rise versus the same period of 2013. This positive evolution reflects the increasing demand for saving and investment solutions. The non-life insurance activities continued to slow down, although at a smaller pace (around -1% versus the first half-year of 2013) than in previous six-month periods, strongly influenced by the economic conjuncture and by the high competition existing between operators of the car and work accidents segments, a sector representing 54% of the market.

Millenniumbcp Ageas continued to implement its strategic agenda (Vision 2015) based on 6 strategic options: to grow in non-life, in *bancassurance* in Millennium bcp; to continue to be leader in Life, ensuring the transition into a new business model; Keep a high technical profitability profile and low operating costs; Expand the business beyond its foundation borders; Increase focus on the Customer as the absolute centre of its activity; Foster the corporate culture and the employee's commitment towards the company.

Millenniumbcp Ageas recorded a 5% increase in Life, below the market, but translating the transition into a new offer of products. Non-Life grew 3.9%, against market trends, a fact that occurs for the 4th consecutive year, being the best performance amongst the 15 largest Portuguese market operators. At the end of the first six months of 2014, Millenniumbcp Ageas ranked 6th in Non-Life premiums; in 2013 it occupied the 8th position.

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 35 million Euros in Life and of 8.4 million Euros in Non-Life. Financial strength, materialized in solvency ratios above 250%, was equally reinforced.

As a result of the agreement established with Millennium bcp and formalized by the end of the first six months of 2014, Ageas now holds 100% of the share capital of the Non-Life insurance companies, Ocidental Seguros and Médis. This transaction was of the utmost importance for Ageas and for Millennium bcp: for the Bank it means the reallocation of the capital of the Non-Life insurance business to its core activities and an increased commitment with distribution; for Ageas it means a very important step towards achieving growth in the non-life segment in Portugal and the fulfilment of one of its strategic goals.

Million euros, except for percentages

Key Indicators	Jun-2014	Jun-2013	Variation
Direct Written Premiums			
Life	634	605	4.9%
No Life	128	123	4.1%
Total	762	728	4.7%
Market Share (*)			
Life	14.6%	11.7%	
No Life	6.3%	5.9%	
Total	12.4%	9.8%	
Technical Margin (1)	93	103	-9.6%
Technical Margin Net of Operating Costs	56	67	-16.4%
Net Profit (2)	54	53	0.9%
Gross Claims Ratio (Non-Life)	62.8%	67.4%	
Gross Expense Ratio (Non-Life)	22.2%	22.6%	
Non-Life Gross Combined Ratio	85.0%	90.0%	
Life Net Operating Costs/Average of Life investments	0.81%	0.79%	

(1) Before allocation of administrative costs

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

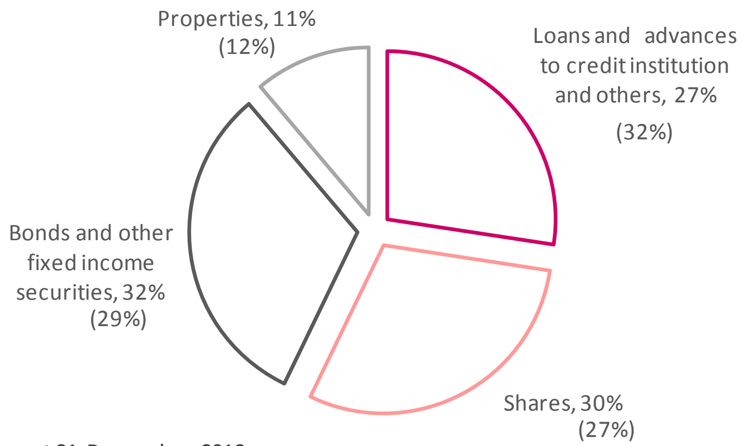
PENSION FUND

At the end of the first half of 2014 the pension liabilities assumed by the Group related to the payment to employees of pensions and other benefits were fully funded and kept at a higher level than the minimum set by the Bank of Portugal, presenting a coverage rate of 112%, maintaining the same coverage level posted at the end of 2013. As at 30 June 2014 the pensions and other benefits liabilities totalled 2,759 million euros, which compares with 2,533 million euros registered on 31 December 2013.

The rate of return of the Pension Fund in the first half of 2014 stood at 11.0%, which compares with 4.4% in the full year of 2013. As at 30 June 2014, the structure of the Pension Fund's assets, when compared with the structure at the end of 2013, shows the following evolution:

- The shares proportion at 30% versus 27% as at 31 December 2013;
- The increase of the bonds and other fixed income securities from 29% as at 31 December 2013 to 32% as at the end of June 2014;
- The decrease of the proportion of loans and advances to credit institutions and others, from 32% as at 31 December 2013 to 27% at the end of June 2014;
- The reduction of the property component that evolved from 12% at the end of 2013 to 11% as at 30 June 2014.

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 30 JUNE 2014



(xx%) Proportion as at 31 December 2013

As at 30 June 2014, after analysing the assumptions used to determine the pension fund's liabilities, the Bank decided to change the discount rate and the projected rate of return of fund assets from 4.0% to 3.5%, considering, in particular, the decrease in the interest rate of good quality corporate bonds with the same maturity as the pensions fund's liabilities. The main actuarial assumptions used to determine the liabilities as at 30 June 2014 and as at 31 December 2013 are as follows:

Assumptions	31 Dec. 13	30 Jun. 14
Discount rate	4.00%	**3.50%**
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	4.00%	**3.50%**
Mortality tables		
Men	TV 73/77 - 1 year	**TV 73/77 - 1 year**
Women	TV 88/90 - 2 years	**TV 88/90 - 2 years**

The actuarial differences recorded in the first half of 2014, considering the financial and non-financial, were negative by 2 million euros, determined by the unfavourable impact associated with the change in the discount rate previously mentioned, which totalled 222 million euros, partially offset by higher return posted by the Fund.

The main indicators of the Group's obligations with pensions and other benefits to employees as at the 30 June 2014 and 31 December 2013 are as follows:

Main indicators	31 Dec. 13	30 Jun. 14
Liabilities	2,533	2,759
Value of the Fund	2,547	2,786
Coverage rate (*)	112%	112%
Return of the Fund	4.4%	11.0%
Actuarial (gains) and losses	212	2

(*) Including provisions posted on the balance sheet.

BCP RATINGS

The general improvement in macroeconomic conditions, particularly as regards progress on deficit reduction; the economic recovery, with GDP growing 0.8%, year-on-year, in the second quarter of 2014; alongside the general return to funding markets and the ability of the Portuguese government continues to implement the adjustment program despite adverse decisions of the Constitutional Court, allowed the Rating Agencies to have a less pessimistic approach, during the first half of 2014.

The Rating Agencies recognize that the process of moderate deleveraging and gradual replacement of structural ECB funding by deposits provides a better operational environment in the banking sector. However, the reduced capacity to generate earnings and the still weak asset quality continue to constraint an improvement in the long-term ratings of the banks.

The recent problems in the Portuguese banks are perceived by the Rating Agencies as a challenge to the achievement of growing investor confidence in the banking system in Portugal and may have an impact on funding costs.

During the reporting period, several rating actions were held by the rating agencies:

Moody's	
Bank Financial Strenght	E
Baseline Credit Assessment	caa2
Adjusted Baseline Credit Assessment	caa2
Deposits LT / ST	B1/NP
Senior Unsecured LT	B1
Outlook	Negative
Subordinated Debt - MTN	(P) Caa3
Preference Shares	C (hyb)
Other short term debt	P (NP)

Rating Actions

11 May - upgrade of the portuguese public debt in one notche, from "Ba3" to "Ba2";

26 May - reafirmation of the ratings of the Bank at "B1/NP", maintaining the "Negative" Outlook.

Standard & Poor's	
Stand-alone credit profile (SACP)	b
Counterparty Credit Rating LT / ST	B+ / B
Senior Secured LT / Unsecured LT	B+ / B+
Outlook	Negative
Subordinated Debt	CCC
Preference Shares	D
Commercial Paper	B

Rating Actions

17 January - reafirmation of the long and short term ratings of the Portuguese Republic at "BB/B", with a change in the Outlook from "Creditwatch with negative implications" to "Negative";

22 January - reafirmation of the ratings of the Bank at "B/B", with a change in the Outlook from "Creditwatch with negative implications" to "Negative"

30 April - reafirmation of the ratings of the Bank at "B/B", following the conclusion of the review conducted by governmental support and maintenance of the "Negative" Outlook ;

9 May - revision of the Portuguese Republic Outlook from "Negative" to "Stable" e reafirmation of the ratings at "BB/B";

21 May - reafirmation of the ratings of the Bank at "B/B", maintaining the "Negative" Outlook.

8 July - placement of the counterparty rating on CreditWatch with positive implications;

29 July - upgrade of the long term rating from "B" to "B+" and

Fitch Ratings	
Viability Rating	bb-
Support	3
Support Floor	BB+
Deposits LT / ST	BB+ / B
Senior unsecured debt issues LT	BB+
Outlook	Negative
Subordinated Debt Lower Tier 2	B+
Preference Shares	B-
Commercial Paper	B

Rating Actions

10 April - revision of the Portuguese Republic Outlook from "Negative" to "Positive" and affirmation of IDR of LT/ST at "BB+/B" and the Country Ceiling at "A+";

4 July - upgrade of the Viability Rating notation fom "b" to "bb-", of the subordinated debt Lower Tier 2 from "B-" to "B+" and of the Preference Shares from "CC" to "B-".

DBRS	
Intrinsic Assessment (IA)	BB (high)
Short-Term Debt & Deposit LT / ST	BBB (low) / R-2 (mid)
Trend	Negative
Dated Subordinated Notes	BB (high)
Senior Notes Guaranteed by the Republic of Portugal	BBB (low)
Commercial Paper	R-2 (mid)

Rating Actions

23 May - confirmation of the Portuguese Republic at BBB(low) and change of the trend from "Negative" to "Stable".

Risk Management

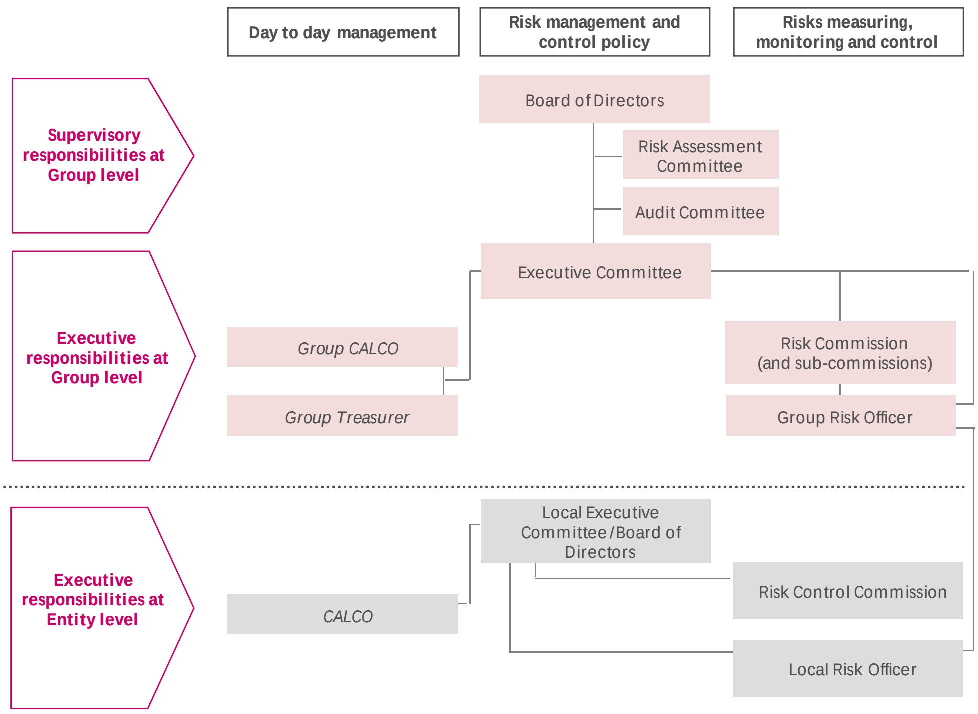
RISK MANAGEMENT

In the first half of 2013, the Group continued its various activities concerning 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 highlights of the main achievements and developments that occurred between January and June 2014 are the following:

- Submission of the application for the use of the IRB (Internal Ratings Based) method for the calculation of the RWA (Risk Weighted Assets) for credit risk, for the Corporate portfolio of Bank Millennium (Poland);
- Integration of the risk models' independent validation function in the Internal Audit Division;
- Participation of the Risk Office in the execution of the 2014 Internal Control Report (together with the Compliance Office and internal Audit);
- Collaboration in the AQR (Asset Quality Review) tasks as well as in the joint stress-tests exercises, within the scope of the European Central Bank's (ECB) Comprehensive Assessment, for the preparation of the new European Single Supervisory Mechanism (SSM), for credit and market risks;
- Reporting to banco de Portugal, concerning the Group's IRB models, within the scope of the new monitoring framework for the follow-up of the approved IRB portfolios (IRBAM - *IRB Assessment Model*);
- Execution of a report on Operational Risk, to Banco de Portugal, concerning the main developments in the management of this risk in 2013;
- Continuation of the preparatory works for the implementation of the Operational Risk management framework in Angola;
- Implementation of new actions aiming at the adoption of the Advanced Measurement Method (AMA) for the calculation of capital requirements for Operational Risk, namely, the assessment of external consultant's proposals and the approval of the investment for such contracting;
- Banco de Portugal's inspection of the operational risk management framework, at Group level;
- Launching of the implementation of the new treasury IT solution for the Group (integrating *Front/Middle/Back Office*);
- Implementation of the calculation processes for supporting the new Liquidity and Leverage indicators under Basel III/CRD IV;
- Continuing formal participation in the approval process for new products to be distributed by the commercial networks, by assessing their risk profile and promoting any needed adjustments so that these comply with the Group's risk tolerance profile;
- Monitoring and control of the Non-Core Business credit portfolio in Portugal, as defined in the restructuring agreement signed between DG Comp from the European Commission and the Portuguese Republic;
- Implementation of a new reporting tool, within the scope of the new EBA's requirements concerning the prudential and financial reporting (COREP/FINREP).

Risk Management Governance

The risk management governance framework encompasses several bodies, as represented by 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 – at Group level, besides the Board of Directors and its Executive Commission.

Risk Assessment Committee

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

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

Audit Committee

The Audit Committee is composed of 3 to 5 non-executive members of the Board of Directors (currently 4), and has the following attributions:

- Supervision of the management, of financial reporting documents, of the measures aimed at the improvement of the internal control system, of risk management policy and of compliance policy;
- Supervision of the internal audit activity, ensuring the independence of the Certified Accountant and issuing recommendations for the contracting of External Auditors, as well as a proposal for their election and for the contractual conditions of their services;
- Reception of irregularities notifications submitted by Shareholders, Employees or other stakeholders, assuring its follow-up by the Internal Audit Division or by the Customer Ombudsman;
- The issue of opinions on loans granted (under any form or type, including guarantees provided) or any other contract that the Bank or other Group company concludes with members of its governing bodies or shareholders with stakes above 2% in the Bank's share capital, as well as

any entities that, pursuant to the General Framework of Credit Institutions and Financial Companies, are related to them.

The Audit Committee is the main recipient of the Reports of the Internal Audit Division and of the Certified Accountants and External Auditors, holding regular meetings with the Director responsible for the financial area, the Group Risk Officer, the Compliance Officer and the Head of Internal Audit.

Risk Commission

This Commission is responsible, at an executive level, for monitoring the overall levels of credit, market, liquidity and operational risk, ensuring its compatibility with the objectives, available financial resources and strategies that have been approved for the development of the Group's activity.

This Commission includes all of the members of the Executive Committee, the Group Risk Officer, the Compliance Officer and the Heads of the following divisions: Internal Audit; Treasury and Markets; Research, Planning and ALM; Credit; and Rating.

Credit Risk Monitoring Sub-Commission

This body has the following duties and responsibilities:

- Monitoring of the evolution of credit exposure and the credit underwriting process;
- Monitoring of the evolution of the portfolio's quality and of the main performance and risk indicators;
- Monitoring of counterparty risk and of the concentration risk of the largest exposures;
- Monitoring the impairment evolution and of the main cases of individual impairment analysis;
- Analysis of the credit recovery processes performance;
- Monitoring of the real estate portfolio divestment.

This Sub-commission includes all the members of the Executive Committee, the Group Risk Officer and Heads of the following divisions: Credit; Rating; Specialised Recovery; Specialised Monitoring; Retail Recovery; Real Estate Business; Litigation; Management Information; and Companies Marketing.

Pension Fund Risk Sub-Commission

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

This Sub-commission is composed of the Chairman of the Executive Committee, the Executive Committee members responsible for the financial and insurance areas, the Group Risk Officer and the Heads of the Research, Planning and ALM and of the Human Resources divisions. The entities linked to the management of the Pension Fund (Millennium bcp Ageas, Pensõesgere and F&C) are also represented, through permanent invitation.

Group CALCO

The Group CALCO is responsible for the management of the Group's overall capital, for assets and liabilities management and for the definition of liquidity management strategies at a consolidated level. Specifically, the Group CALCO (also referred to as the Commission for the Planning and Allocation of Capital and Asset and Liability Management) 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 structure;
- Capital allocation planning and proposals;
- Proposals defining adequate policies for market and liquidity risk management, at Group level (consolidated balance sheet).

The Group CALCO Group is composed of all the members of the Executive Committee, the Group Risk Officer and Heads of the following divisions: Research, Planning and ALM; Corporate; Management Information; Companies Marketing; Retail Marketing; Treasury and Markets; International Strategic Research (through invitation).

Group Risk Officer

The Group Risk Officer is responsible for the risk control function for all Group entities. 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 over any decision that is not subject to the approval of the Board of Directors or its Executive Committee that might have an impact on the Group risk levels. The Group Risk Officer duties include:

- Supporting the establishment 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, of 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 robust and complete risk management;
- Participating in all decisions of relevance to risk and with an impact on the internal control system, empowered to enforce compliance with the Group's regulations and objectives relative to risk;
- Preparing information on risk management for internal and market disclosure.

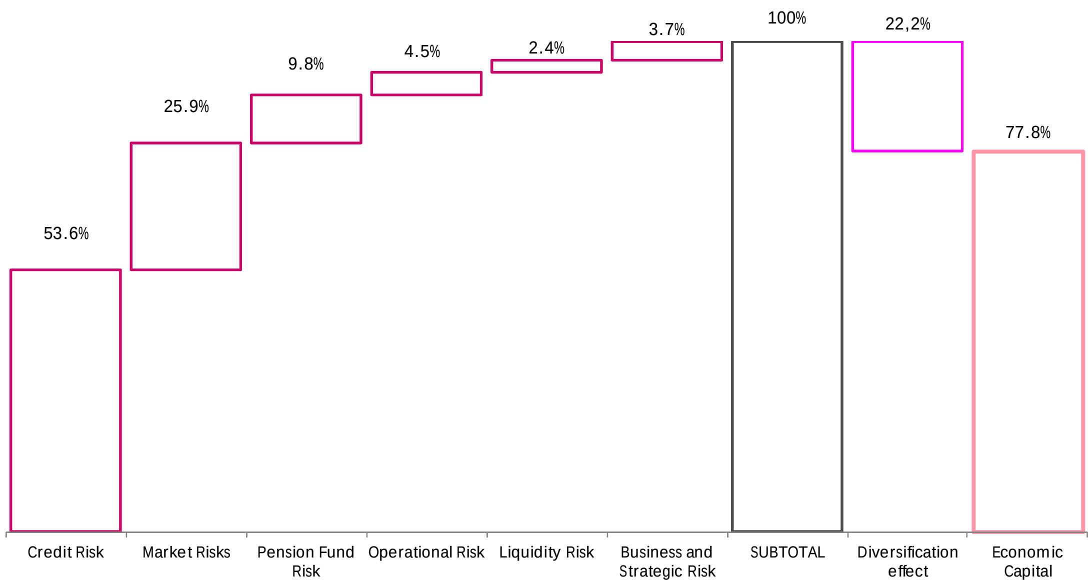
The Group Risk Officer is appointed by the Board of Directors and supports the work of the Risk Commission and its sub-commissions.

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.

The economic capital model uses a goal parameter for the 1-year global default probability of 10 basis points (confidence level of 99,9%).

The economic capital breakdown, as at December 2013, is illustrated by the following graph:



Credit and market risks remain the most significant risks for the Group, weigthing around 54 and 26% of the economic capital needs before diversification effects, respectively.

Models validation

The Models Audit and Validation Unit is responsible for monitoring and ensuring the independent validation of the credit and market risk models. The validation and monitoring of models also involves other bodies, such as: the model owners, the rating system owners, the Validation Committee and the Risk Commission.

During the first half of 2013, as planned, several monitoring, validation, calibration and review/improvement actions were performed on the credit and market risk models.

In the case of credit risk models, these actions focused on the models and rating systems for the Corporate and Retail exposures classes, regarding its different components, for models used in Portugal.

Within this scope, the most significant models are the probability of default models (PD) – applied to the Small, Mid, and Large Corporate (for the Corporate risk class), the Small Businesses and the Mortgage models (for the Retail risk class) and the Loss Given Default (LGD) models.

The follow-up and validation of models also aim at monitoring and increasing the knowledge about their quality, in order to strengthen the capacity to react in due time to changes in their predictive powers, ensuring enough confidence concerning the use and performance of each of the implemented risk models and systems.

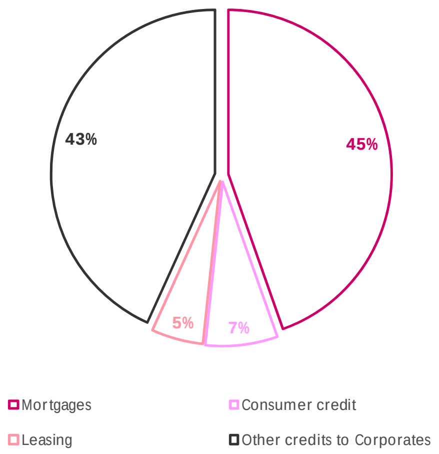
Credit risk

Besides those previously highlighted at the beginning of this chapter, other activities and achivements developed in the first-half of 2014 are worthy of notice, within the scope of the reinforcement of credit risk assessment, monitoring and control activities, regarding the various portfolios segments:

- The Validation Committees meetings that took place, concerning the Retail PD and LGD models and involving Internal Audit, Risk Office, Rating Division and Retail Recovery Division;
- Integration of data from Angola, Mozambique and Macao in the credit risk RWA calculation process, thus allowing – besides a detailed knowledge about these geographies' portfolios – for a centralized calculation of the weighted assets;
- New LGD estimates for Retail and launching of the development of an ELBE (Expected Loss Best Estimate) model for the defaulted clients of this segment.

Credit portfolio structure

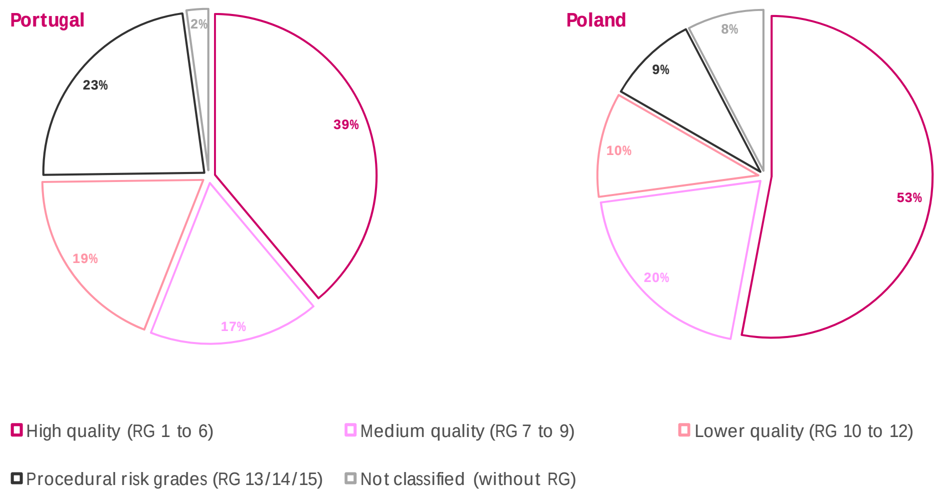
The following graph presents a breakdown of the direct credit portfolio, as at 30 June 2014, by exposure segments, at consolidated level:



The current portfolio structure presents no changes worthy of notice from the structure that existed at the end of the first-half of 2013 (or by 31 December 2013).

Credit portfolio quality

The two graphs below illustrate the exposures distribution (EAD) in the two main geographies in which the Group operates – Portugal and Poland – in terms of credit worthiness/internal rating of the debtors.



Credit concentration risk

The next table shows the positions of the 20 largest clients' (economic groups), excluding Sovereigns and Banks, at the end of the first-half of 2014, in terms of Net Exposures – expressed as the weight of those Net Exposures over consolidated Own Funds (COF) or, also, as the weight of the corresponding EAD over the Group's total EAD:

Clients' Groups	Net Exposure / / consolidated Own Funds	EAD weight in total EAD
Group 1	8.3%	1.6%
Group 2	8.1%	1.4%
Group 3	4.2%	0.8%
Group 4	3.4%	0.6%
Group 5	3.4%	0.6%
Group 6	3.4%	0.6%
Group 7	2.7%	0.6%
Group 8	2.2%	0.5%
Group 9	2.1%	0.5%
Group 10	2.1%	0.3%
Group 11	1.9%	0.3%
Group 12	1.7%	0.3%
Group 13	1.6%	0.3%
Group 14	1.6%	0.3%
Group 15	1.5%	0.3%
Group 16	1.5%	0.3%
Group 17	1.5%	0.2%
Group 18	1.5%	0.2%
Group 19	1.4%	0.2%
Group 20	1.4%	0.2%
Total	**55.7%**	**10.3%**

The increase in concentration for the total of these 20 largest clients, as measured by the global weight of their Net Exposures over COF (55,7%), in relation to the weight of the 20 largest clients' Net Exposures in 31 December 2013 (which was of 46,5%) reflects, mainly, the decrease of COF between these two dates*.

Operational risk

All the activities undertaken for the management of this risk were continued along the first-half of 2014. Besides those that were mentioned before, the following achievements and developments should be highlighted:

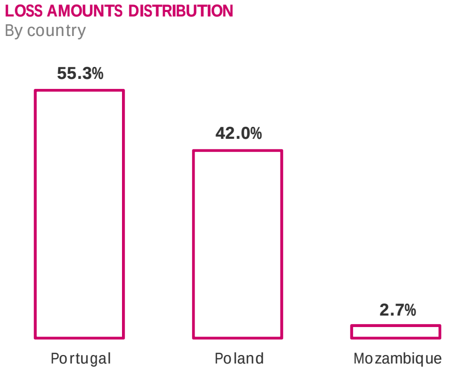
- Reinforcement of the operational losses database, through the registration of new cases occurred in the Group main operations;
- Launching or preparation of new risks self-assessment (RSA) exercises in Portugal, Poland and Mozambique;
- Regular monitoring of the risk indicators that contribute to the early identification of changes in the risk profile of the main processes;
- Increasing effectiveness in the use of information provided by operational risk management instruments, by the process owners, to identify improvements that contribute to strengthen the processes' control environment;
- Launching of an individual performance assessment system for process owners, with specific parameters for measuring operational risk management;
- Institution of a Working Group for the regular revision of processes, complementary to the Banking Processes and Services Committee, for a more systematic follow-up of the processes structure.

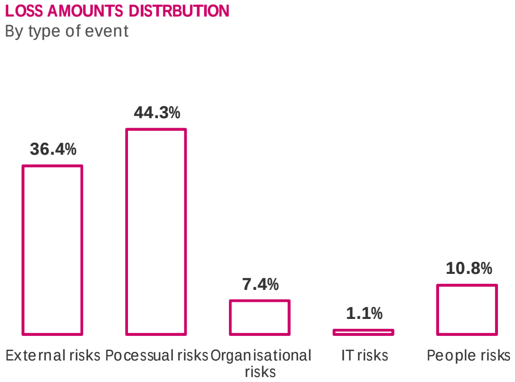
* On the other hand, the amounts at stake are not directly comparable since the weight of 46,5% (as at December 2013) was computed with LGD (Loss Given Default) parameters that have been, in the meantime, updated.

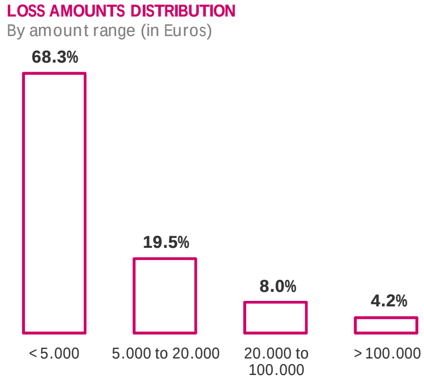
Operational losses

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 processes management.

The profile of the events recorded in the database of the Group until 30 June 2014 – 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):







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 the main geographies where the Group operates.

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 without 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 implementation of corrective measures identified during the RSA exercises for the mitigation of the most significant exposures is 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 in each country.

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

Key risk Indicators (KRI)

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 a Group 'indicators library' 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 mitigation component continued to be improved at Group level and actions were undertaken to ensure the operational capacity of this area, which is promoted and coordinated by a dedicated unit structure.

Insurance contracting

The contracting of insurance for risks related to assets, persons or third party liability is another important instrument for operational risks mitigation, 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/organizational units. The specialised technical and commercial functions within insurance contracting are entrusted to the Insurance Management Unit which is specialised and transversal to all entities of the Group located in Portugal.

Market risks

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

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

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

The definition of these areas allows for an effective management segregation of the trading and banking books, as well as for a correct allocation of each operation to the most suitable management area, according to its respective context. 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. This approach considers a time horizon of 10 business days and a significance level of 99%.

In this methodology, the estimation of the volatility of each market risk factor (and their respective correlations) used in the VaR model is made through an "Equally Weighted" model.

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 the other management areas, whenever these incur in these types of risks.

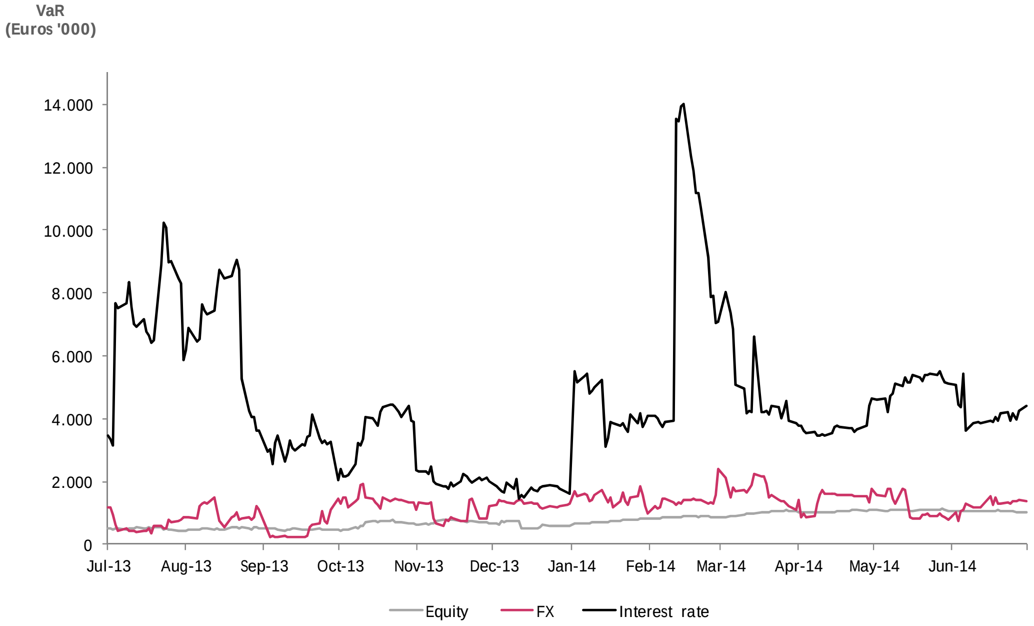
The table below presents the values at risk measured by the methodologies referred to above, for the Trading Book, between 31 December 2013 and 30 June 2014:

Thousands of Euros

	Jun-14	Average	Max	Min	Dec-13
Generic risk (VaR)	4,474.9	5,186.4	13,704.9	3,485.7	2,202.2
Interest rate risk	4,409.9	5,151.1	14,001.0	3,093.8	1,598.9
FX risk	1,393.8	1,404.9	1,431.8	1,486.2	1,313.1
Equity risk	1,022.8	968.2	896.1	719.9	588.7
Diversification effects	*2,351.6*	*2,337.9*	*2,624.0*	*1,814.3*	*1,298.6*
Specific risk	308.3	364.1	537.8	262.8	263.0
Non-linear risk	136.7	69.1	262.6	27.1	25.3
Commodities risk	20.1	19.4	25.3	14.6	17.0
Global risk	4,940.0	5,639.0	14,136.5	3,855.1	2,507.4

Notes:
- Holding term of 10 days and 99% of confidence level.
- Consolidated positions from Millennium bcp, Bank Millennium (Poland) and Banca Millennium (Romania)

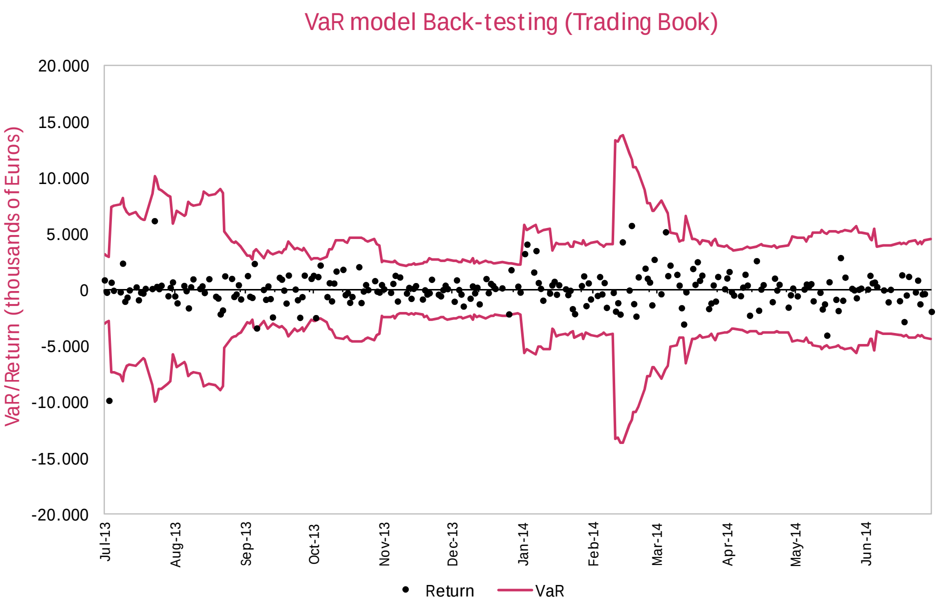
As shown by these figures, the Group's trading book risk attained moderate levels along the first-half of 2014. The interest rate risk of this portfolio remained as the main risk at stake (both in terms of volume and volatility), as the graph below illustrates, by showing the breakdown of the VaR amounts for generic risk.



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, over a 1-year period.



The graph shows one excess value observation, at the beginning of July 2013, as the result of a sharp increase in the yields of Portuguese Public Debt securities, representing a frequency of 0,4% (for 251 working days' observations) over the hypothetical results of the model, confirming the adequacy of this model for the assessment of the risks in question.

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 2014, were as follows:

millions of Euros

Tested scenarios	Negative results scenario	Result
Parallel shift of the yield curve by +/- 100 bps	- 100 bps	-2.4
Change in the slope of the yield curve (for maturities from 2 to 10 years) by +/- 25 bps	- 25 bps	-1.5
4 possible combinations of the previous 2 scenarios	- 100 bps and - 25 bps	-3.9
	- 100 bps and + 25 bps	-0.9
Variation in the main stock market indices by +/- 30%	+30%	-3.2
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-0.4
Variation in swap spreads by +/- 20 bps	- 20 bps	-1.0

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 a decrease of interest rates, especially if that increase is accompanied by a decrease in the steepness of the yield 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 € + 88 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:

thousands of Euros

IMPACT OF A +100 BPS PARALLEL SHIFT OF THE YIELD CURVE

Repricing gap in EUR

	Residual terms to maturity					
	< 1 Y	**1 - 3 Y**	**3 - 5 Y**	**5 - 7 Y**	**> 7 Y**	**Total**
Commercial area activity	11,896.4	93,474.5	227,058.5	9,318.4	-7,441.2	334,306.6
Structural area activity	-4,764.9	134,259.4	2,498.1	15,537.2	8,075.8	155,605.6
Subtotal	**7,131.5**	**227,733.9**	**229,556.6**	**24,855.6**	**634.6**	**489,912.2**
Hedging	3,591.2	-218,796.9	-206,906.4	-27,469.5	4,020.1	-445,561.6
Commercial and Structural total	**10,722.7**	**8,937.0**	**22,650.1**	**-2,613.9**	**4,654.7**	**44,350.6**
Funding and hedging	8,233.1	1,171.2	-227.5	-324.3	-7,583.6	1,268.9
Investment portfolio	-37,246.0	-2,770.4	-391.8	-944.2	-420.5	-41,772.9
ALM	11,078.6	96,601.5	63,339.7	-44,438.9	-42,119.9	84,461.0
Banking Book total in Jun 2014	**-7,211.5**	**103,939.3**	**85,370.5**	**-48,321.3**	**-45,469.3**	**88,307.7**
Banking Book total in Dec 2013	-11,678.1	50,621.8	-62,327.0	-35,800.6	-14,481.1	-73,664.9

It can be inferred, from these figures, that the sensitivity of the banking book to the interest rates variation has increased, when compared to the situation by the end of 2013: an increase of 100 bps in interest rates would then lead to an economic value loss of around € 73.7 M, while such an interest rate change would cause a profit of € 88.3 M by 30 June 2014. The inverse impact registered for these two dates stems, essentially, from a change in the repricing assumptions regarding the checking accounts, the capital elements and of the assets with undefined maturity.

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 2014, the Group's financial holdings in USD, CHF and PLN were covered (partially, for PLN).

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, for subsidiaries' holdings, through Fair Value Hedge.

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.

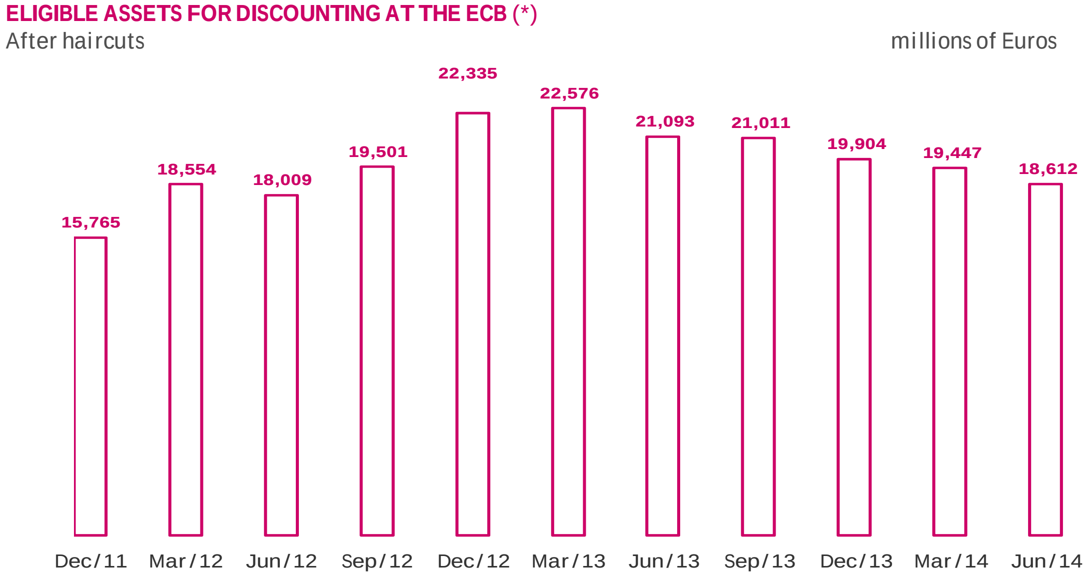
These positions have small dimension and risk within the Group's investment portfolio, only representing around 5.3% of this portfolio's VaR by 30 June 2014.

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).

In the first-half of 2014, the Group maintained its strategy of reducing its commercial gap (the difference between clients' deposits and credit to clients), aiming at the reduction of its funding risk. Hence, the commercial gap decrease in Portugal contributed to a € 3.8 B in the Group's wholesale funding balance between 30 June 2013 and 2014, 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:



(*) Total portfolio of this type of assets – inside and outside the Pool, used and not used

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 31 December 2013 and 30 June 2014, in terms of the relative importance of each instrument used:

Liquidity breakdown
(Wholesale funding)

	30/Jun/14	31/Dec/13	Change in weight
MM	4.1%	2.5%	1.6%
ECB	46.7%	52.5%	-5.8%
CoCo's	13.5%	14.3%	-0.8%
Commercial Paper	3.4%	3.1%	0.3%
Repos	8.4%	0.8%	7.5%
Loan agreements	5.0%	4.3%	0.7%
Schuldschein	0.7%	1.0%	-0.3%
EMTN	5.6%	9.9%	-4.3%
Equity Swaps	0.0%	0.0%	0.0%
Covered bonds	11.3%	10.0%	1.2%
Subordinated debt	1.4%	1.5%	-0.1%
TOTAL	**100.0%**	**100.0%**	

The decrease in the Group’s funding needs (already referred) – mainly due to the relevant reduction of the commercial gap – and the diversification of the funding instruments resulted in a slight recomposing of the wholesale funding structure, with a decrease of the relative weight of ECB and EMTN funding and an increase in short-term loans contracted with international financial institutions (guaranteed with securities).

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 30 June 2014, are presented in the following table:

LIQUIDITY INDICATORS

Millions of Euros

	Immediate liquidity	Quarterly liquidity
Portugal	0	-907
Poland	0	0
Romania	0	0
Angola	0	0

Note: the null amounts represent positive treasury positions (net of Highly Liquid Assets)

The negative figure for Portugal represents treasury needs that stem, basically, from the maturity of funds taken within the euro system in 2011 – namely, from ECB's LTRO – Long Term Refinancing Operations – that have entered the time span of the quarterly indicator.

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). These indicators, as at 31 December 2013 and 30 June 2014, are presented in the following table:

LIQUIDITY CONTROL INDICATORS

	Refrence value		Jun/14	Dec/13
Accumulated net cash-flows up to 1 year as a % of total accounting liabilities	Not less than - 6 %		-8.6%	8.9%
Liquidity gap as a % of illiquid assets	Not less than - 20 %		3.0%	1.5%
Loans to Deposits ratio	Not greater than 150 %	a)	112.4%	114.2%
		b)	115.6%	116.9%
Wholesale Funding coverage ratios by Highly Liquid Assets (HLA)				
Up to 1 month	> 100 %		481.0%	1052.5%
Up to 3 months	> 85 %		286.5%	502.2%
Up to 1 year	> 60 %		144.4%	187.4%

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

The figure that is beneath its reference threshold (first indicator) is related with the previously mentioned maturity of LTRO from the ECB.

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 scenarios, the Group will have 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 30 June 2014, the Pension Fund registered a gross return of 10,95%, for which the equity component of the portfolio has decisively contributed, with a positive evolution.

Business and strategic risk

This type of risk materialises as negative impacts on net income and/or capital, arising from decisions with adverse effects, from the implementation of inadequate management strategies or from the inability to respond effectively to market changes.

The variation of the stock market price of the BCP share is a relevant indicator for the measurement of this type of risk, with its quantification being made under the internal model used to assess the needs of own funds and its allocation to the various business areas (Internal Capital Adequacy Assessment Process – ICAAP).

Under this perspective, the calculation of the economic capital required to cover this type of risk is based on the evolution and price levels of the BCP share, after deduction of the external influence of the stock market which is estimated from a time series of share prices of the largest banks listed at Euronext Lisbon.

EXPOSURE TO ACTIVITIES AND PRODUCTS AFFECTED BY FINANCIAL CRISIS

The Group's portfolio does not have any exposure either to the US 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 day-to-day business, essentially including the hedging of 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 are concerned.

Over the years, the Group has carried out securitisation operations based on loans to individuals (mortgage loans and consumer credit) and loans to companies (current accounts and leasing). Credit securitisation is used as a liquidity and capital management tool, aimed at financing the Group's business and, under certain circumstances, to release capital. The Group has a very limited exposure to Special Purpose Entities (SPE), apart from that arising from its own securitisations and normal credit business, as described in the Notes on Accounting Policies and on Loans to Customers 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 2014, the Group's net exposure to Portuguese sovereign debt was 6.5 billion euros, net exposure to Italian sovereign debt was 50 million euros and net exposure to Spanish sovereign debt was 46 million euros. Of the total of 8.6 billion euros of consolidated public debt, Euro 422 million was recorded under the portfolio of financial assets held for trading and available for sale, and 8.2 billion euros under the portfolio of financial assets available for sale and held to maturity. Further information on exposure to the sovereign debt of countries of the European Union in bailout situations is presented in Note 55 of the Consolidated Financial Statements.

The Group's accounting policies are described in Note 1 of the Notes to the Financial Statements, included in the Accounts and Notes to the Accounts of 2013. 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.

INTERNAL CONTROL SYSTEM

The Internal Control System is defined as the set of principles, strategies, policies, systems, processes, rules and procedures established in the Group aimed at ensuring:

- Efficient and profitable performance of the activity, in the medium and long term, ensuring the effective use of assets and resources, the continuity of the business and survival of the Group, namely through an adequate management and control of the risks of the activity, through a prudent and correct assessment of the assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud;

- The existence of financial and management information which is complete, pertinent, reliable and timely, to support decision-making and control processes, both at an internal and external level;

- Observance of the applicable legal and regulatory provisions issued by the Banco de Portugal, including those relative to the prevention of money laundering and financing of terrorism, as well as professional and ethical standards and practices, internal and statutory rules, codes of conduct and customer relations, guidelines of the governing bodies and recommendations of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its customers, shareholders, employees and supervisors.

In order to achieve these objectives, the Internal Control System is based on the Compliance function, the Risk Management function and the Internal Audit function, which are exercised by centralised divisions and operate transversally across the Group. The Heads of these three divisions are appointed by the Bank's Board of Directors, with the favourable opinion of the Nomination and Assessment Commission, which approves their technical and professional profiles, as appropriate for the functions at stake.

The Internal Control System is based on:

- An adequate internal control environment;

- A solid risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the Group's activities;

- An efficient information and communication system, set up to guarantee the collection, processing and transmission of relevant, encompassing and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks;

- An effective monitoring process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, to immediately identifiy any flaws (defined as the group of existing, potential or real defects, or opportunities for the introduction of improvements that will strengthen the internal control system), and ensuring the triggering of corrective actions;

- Strict compliance with all the legal and regulatory provisions in force by the Group's employees in general, and by the people who hold senior or managerial positions, including members of the management board, to ensure compliance with the Group's Code of Conduct and other codes of conduct applicable to the banking, financial, insurance and brokerage (of securities or derivatives) activities.

The Risk Management System, the Information and Reporting System and the Internal Control Monitoring System

The Internal Control System includes the following subsystems: the Risk Management System, the Information and Reporting System and the Internal Control Monitoring System

The Risk Management System corresponds to the series of integrated and permanent processes which enable the identification, assessment, monitoring and control of all material risks, derived internally or externally, to which the Group's Institutions are exposed, in order to keep them at levels that are predefined by the management and supervisory boards, and take into consideration risks related to credit, markets, interest rates, exchange rates, liquidity, compliance, operating, information systems, strategy and reputation, as well as all other risks which, in view of the specific situation of the Group's institutions, could become materially relevant.

This system is adequately planned, reviewed and documented and is supported by risks identification, assessment, monitoring and control processes, which include appropriate and clearly defined policies and procedures, aimed at ensuring that the objectives of the institution are achieved and that the necessary measures are taken to respond adequately to previously identified risks.

The Information and Reporting System ensures the existence of information which is substantive, up-to-date, understandable, consistent, timely and reliable, so as to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the institution and on the behaviour and prospective evolution of relevant markets.

The financial information process is supported by the accounting and management support systems which register, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institutions and its subsidiaries, in accordance with the rulings and policies issued by the Executive Board of Directors.

The Monitoring Process includes all the control and assessment actions developed with a view to ensure the effectiveness and adequacy of the internal control system, through the identification of deficiencies in the system, either in terms of its design, implementation and/or use. The control and monitoring actions are implemented on a continuous basis and as an integral part of the Group's routines, being complemented with regular or exceptional autonomous assessments. Any deficiencies of material impact which might be detected through the control procedures are duly registered, documented and reported to the appropriate management and supervisory bodies.

In this context, the Internal Audit Function is performed by the Audit Division on a permanent and independent basis, assessing, at all times and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system, as a whole, issuing recommendations based on the outcome of those assessments.

These subsystems of the Internal Control System are managed by the Risk Office and Compliance Office in terms of Risk Management and by the Planning and Control Department of the Planning, Research and ALM Division, the Accounts and Consolidation Division and the areas responsible for accounting in the different subsidiaries, for Information and Reporting.

The Risk Office activity is transversal across the Group and includes the coordination of the local risk management structures. The activity of the Compliance Office is also transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Accounting and Consolidation Division and the Planning and Control Department of the Planning, Research and ALM Division receive and centralise the financial information of all the subsidiaries. The Audit Division is responsible for the onsite monitoring of the internal control system, performing this duty transversally.

The Risk Office, the Compliance Office, the Accounting and Consolidation Division, the Planning and Control Department of the Planning, Research and ALM Division and the Audit Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at Group level - both of accounting nature and relative to management support and risk monitoring and control - which includes:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the management body, as well as with the required reporting dates;
- The identification and control of the intra-Group operations;
- Ensuring that the management information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, to verify the achievement of the established objectives, as well as to evaluate and control the risks incurred by each entity, both in absolute and relative terms.

COMPLIANCE WITH THE RECOMMENDATIONS† ON THE TRANSPARENCY OF INFORMATION AND VALUATION OF ASSETS

		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).	*AR (Management Report) – Business Model, page 15-17; Governance Model, page 8-9; Review of the Business Areas, page 59-80*
2.	Description of strategies and objectives (including those specifically related to the undertaking of securitisation operations and operations with structured products).	*AR (Management Report) – Strategy, page 39-40*
3.	Description of the importance of the activities developed and respective contribution to the business (including in quantitative terms).	*AR (Management Report) - Review of the Business Areas, page 59-80 (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.	*AR (Management Report) – Risk Management, page 85-100; (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.	*AR (Management Report) – Risk Management, page 85-100; (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.)	*AR (Management Report) – Risk Management, page 85-100; (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.	*AR (Management Report) – Financial Review, page 45-58; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale*

† of the Financial Stability Board (FSB) and European Banking Authority (EBA).

		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).	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 101*
10.	Description of the reasons and factors responsible for the impact incurred.	*AR (Management Report) – Economic Context, page 33-34*
11.	Comparison of i) impacts between (relevant) periods; and ii) financial statements before and after the impact of the period of turbulence.	*AR (Management Report) – Financial Review, page 45-58*
12.	Distribution of write-downs between unrealised and realised amounts.	*AR (Management Report) – Risk Management, page 85-100; (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.	*AR (Management Report) – BCP Share, page 27-30*
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.	*AR (Management Report) – Risk Management, page 85-100; (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.	*AR (Management Report) – Financial Review, page 45-58; (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.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 101; (Accounts and Notes to the Accounts) – Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity*
17.	Information on mitigation of credit risk (i.e. through credit default swaps) and the respective effect on existing exposure.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 101*

		Page
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.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 101*
19.	Movements that have occurred in exposures between relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.).	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 101*
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.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 101*
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.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 101*
V.	**Accounting policies and valuation methods**	
22.	Classification of the transactions and structured products for accounting purposes and the respective accounting treatment.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 101; (Accounts and Notes to the Accounts) – Fair value reserves, other reserves and retained earnings; Fair value*
23.	Consolidation of Special Purpose Entities (SPE) and other "vehicles", and their reconciliation with structured products affected by the period of turbulence.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page *101*; (Accounts and Notes to the Accounts) – Accounting Policies

		Page
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).	*AR (Management Report) – Risk Management, page 85-100 (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.	*AR (Management Report) – Risk Management, page 85-100; (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.	*AR (Management Report) – Risk Management, page 85-100; (Accounts and Notes to the Accounts) – Accounting Policies; Fair Value, Risk Management*

Supplementary Information

FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2014

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 June, 2014 and 2013 and 31 December, 2013

	30 June 2014	31 December 2013	30 June 2013
	(Thousands of Euros)		
Assets			
Cash and deposits at central banks	1,927,947	2,939,663	1,735,451
Loans and advances to credit institutions			
Repayable on demand	720,556	1,054,030	1,359,274
Other loans and advances	1,012,571	1,240,628	1,444,654
Loans and advances to customers	55,547,340	56,802,197	57,866,204
Financial assets held for trading	1,446,531	1,290,079	1,588,389
Financial assets available for sale	10,490,124	9,327,120	10,300,758
Assets with repurchase agreement	76,748	58,268	123,942
Hedging derivatives	80,318	104,503	113,460
Financial assets held to maturity	2,744,023	3,110,330	3,221,629
Investments in associated companies	443,223	578,890	530,941
Non current assets held for sale	1,570,787	1,506,431	1,277,903
Investment property	179,632	195,599	539,920
Property and equipment	728,803	732,563	561,436
Goodwill and intangible assets	249,373	250,915	251,215
Current tax assets	39,056	41,051	28,146
Deferred tax assets	2,194,305	2,181,405	1,856,943
Other assets	989,101	593,361	1,143,311
	80,440,438	82,007,033	83,943,576
Liabilities			
Amounts owed to credit institutions	13,080,280	13,492,536	14,570,792
Amounts owed to customers	48,806,841	48,959,752	47,883,794
Debt securities	8,314,944	9,411,227	10,626,271
Financial liabilities held for trading	921,285	869,530	1,089,537
Hedging derivatives	243,834	243,373	335,579
Provisions for liabilities and charges	415,881	365,960	399,193
Subordinated debt	3,928,769	4,361,338	4,459,149
Current income tax liabilities	7,932	24,684	4,613
Deferred income tax liabilities	7,257	6,301	2,994
Other liabilities	1,342,804	996,524	1,155,128
Total Liabilities	77,069,827	78,731,225	80,527,050
Equity			
Share capital	1,465,000	3,500,000	3,500,000
Treasury stock	(32,755)	(22,745)	(16,508)
Preference shares	171,175	171,175	171,175
Other capital instruments	9,853	9,853	9,853
Fair value reserves	187,521	22,311	(34,341)
Reserves and retained earnings	921,526	(356,937)	(356,853)
Net income for the period attributable to Shareholders	(62,247)	(740,450)	(488,219)
Total Equity attributable to Shareholders of the Bank	2,660,073	2,583,207	2,785,107
Non-controlling interests	710,538	692,601	631,419
Total Equity	3,370,611	3,275,808	3,416,526
	80,440,438	82,007,033	83,943,576

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement for the six months period ended 30 June, 2014 and 2013

	30 June 2014	30 June 2013
	(Thousands of Euros)	
Interest and similar income	1,349,673	1,437,891
Interest expense and similar charges	(853,714)	(1,057,655)
Net interest income	495,959	380,236
Dividends from equity instruments	5,726	1,492
Net fees and commission income	341,183	332,853
Net gains / losses arising from trading and hedging activities	54,643	(442)
Net gains / losses arising from available for sale financial assets	120,518	53,858
Net gains / (losses) arising from financial assets held to maturity	-	(278)
Other operating income	(25,955)	(24,329)
	992,074	743,390
Other net income from non banking activity	9,220	10,431
Total operating income	1,001,294	753,821
Staff costs	323,391	336,600
Other administrative costs	221,495	226,140
Depreciation	31,816	33,330
Operating costs	576,702	596,070
Operating net income before provisions and impairments	424,592	157,751
Loans impairment	(371,630)	(473,968)
Other financial assets impairment	(39,129)	(13,347)
Other assets impairment	(30,296)	(67,650)
Other provisions	(44,529)	(153,374)
Operating net income	(60,992)	(550,588)
Share of profit of associates under the equity method	22,994	30,643
Gains / (losses) from the sale of subsidiaries and other assets	64,138	(9,916)
Net (loss) / income before income tax	**26,140**	**(529,861)**
Income tax		
Current	(62,504)	(35,915)
Deferred	60,318	165,750
Net (loss) / income after income tax from continuing operations	23,954	(400,026)
Income arising from discontinued operations	(33,605)	(44,206)
Net income after income tax	(9,651)	(444,232)
Attributable to:		
Shareholders of the Bank	(62,247)	(488,219)
Non-controlling interests	52,596	43,987
Net income for the period	(9,651)	(444,232)
Earnings per share (in euros)		
Basic	(0.01)	(0.05)
Diluted	(0.01)	(0.05)

Accounts and Notes to the Consolidated Accounts for the first half of 2014

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the six months period ended 30 June, 2014 and 2013

	Notes	30 June 2014	30 June 2013
		(Thousands of Euros)	
Interest and similar income	3	1,349,673	1,437,891
Interest expense and similar charges	3	(853,714)	(1,057,655)
Net interest income		495,959	380,236
Dividends from equity instruments	4	5,726	1,492
Net fees and commissions income	5	341,183	332,853
Net gains / (losses) arising from trading and hedging activities	6	54,643	(442)
Net gains / (losses) arising from financial assets available for sale	7	120,518	53,858
Net gains / (losses) arising from financial assets held to maturity	8	-	(278)
Other operating income / (costs)	9	(25,955)	(24,329)
		992,074	743,390
Other net income from non banking activities		9,220	10,431
Total operating income		1,001,294	753,821
Staff costs	10	323,391	336,600
Other administrative costs	11	221,495	226,140
Depreciation	12	31,816	33,330
Operating expenses		576,702	596,070
Operating net income before provisions and impairment		424,592	157,751
Loans impairment	13	(371,630)	(473,968)
Other financial assets impairment	14	(39,129)	(13,347)
Other assets impairment	28 and 33	(30,296)	(67,650)
Other provisions	15	(44,529)	(153,374)
Operating net loss		(60,992)	(550,588)
Share of profit of associates under the equity method	16	22,994	30,643
Gains / (losses) arising from the sale of subsidiaries and other assets	17	64,138	(9,916)
Net loss before income tax		26,140	(529,861)
Income tax			
Current	32	(62,504)	(35,915)
Deferred	32	60,318	165,750
(Loss) / income after income tax from continuing operations		23,954	(400,026)
(Loss) / income arising from discontinued operations	18	(33,605)	(44,206)
Net loss after income tax		(9,651)	(444,232)
Consolidated net (loss) / income for the period attributable to:			
Shareholders of the Bank		(62,247)	(488,219)
Non-controlling interests	45	52,596	43,987
Net loss for the period		(9,651)	(444,232)
Earnings per share (in Euros)	19		
Basic		(0.01)	(0.05)
Diluted		(0.01)	(0.05)

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 June, 2014 and 31 December, 2013

	Notes	30 June 2014	31 December 2013
		(Thousands of Euros)	
Assets			
Cash and deposits at Central Banks	20	1,927,947	2,939,663
Loans and advances to credit institutions			
Repayable on demand	21	720,556	1,054,030
Other loans and advances	22	1,012,571	1,240,628
Loans and advances to customers	23	55,547,340	56,802,197
Financial assets held for trading	24	1,446,531	1,290,079
Financial assets available for sale	24	10,490,124	9,327,120
Assets with repurchase agreement		76,748	58,268
Hedging derivatives	25	80,318	104,503
Financial assets held to maturity	26	2,744,023	3,110,330
Investments in associated companies	27	443,223	578,890
Non-current assets held for sale	28	1,570,787	1,506,431
Investment property	29	179,632	195,599
Property and equipment	30	728,803	732,563
Goodwill and intangible assets	31	249,373	250,915
Current income tax assets		39,056	41,051
Deferred income tax assets	32	2,194,305	2,181,405
Other assets	33	989,101	593,361
Total Assets		80,440,438	82,007,033
Liabilities			
Deposits from credit institutions	34	13,080,280	13,492,536
Deposits from customers	35	48,806,841	48,959,752
Debt securities issued	36	8,314,944	9,411,227
Financial liabilities held for trading	37	921,285	869,530
Hedging derivatives	25	243,834	243,373
Provisions	38	415,881	365,960
Subordinated debt	39	3,928,769	4,361,338
Current income tax liabilities		7,932	24,684
Deferred income tax liabilities	32	7,257	6,301
Other liabilities	40	1,342,804	996,524
Total Liabilities		77,069,827	78,731,225
Equity			
Share capital	41	1,465,000	3,500,000
Treasury stock	44	(32,755)	(22,745)
Preference shares	41	171,175	171,175
Other capital instruments	41	9,853	9,853
Fair value reserves	43	187,521	22,311
Reserves and retained earnings	43	921,526	(356,937)
Net loss for the period attributable to Shareholders		(62,247)	(740,450)
Total Equity attributable to Shareholders of the Bank		2,660,073	2,583,207
Non-controlling interests	45	710,538	692,601
Total Equity		3,370,611	3,275,808
		80,440,438	82,007,033

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, 2014 and 2013

	Second quarter 2014	Second quarter 2013
	(Thousands of Euros)	
Interest and similar income	678,442	714,983
Interest expense and similar charges	(418,876)	(513,969)
Net interest income	259,566	201,014
Dividends from equity instruments	2,453	1,454
Net fees and commissions income	176,538	172,598
Net gains / (losses) arising from trading and hedging activities	36,202	(32,365)
Net gains / (losses) arising from available for sale financial assets	27,050	12,881
Other operating income	(12,987)	(12,839)
	488,822	342,743
Other net income from non banking activities	5,172	5,622
Total operating income	493,994	348,365
Staff costs	163,220	170,550
Other administrative costs	113,945	112,721
Depreciation	15,936	16,518
Operating expenses	293,101	299,789
Operating net income before provisions and impairment	200,893	48,576
Loans impairment	(179,891)	(287,039)
Other financial assets impairment	(35,484)	(7,519)
Other assets impairment	(14,973)	(32,920)
Other provisions	(4,136)	(143,161)
Operating net (loss) / income	(33,591)	(422,063)
Share of profit of associates under the equity method	9,915	16,549
Gains / (losses) from the sale of subsidiaries and other assets	70,246	(8,468)
Net (loss) / income before income tax	46,570	(413,982)
Income tax		
Current	(29,845)	(20,906)
Deferred	22,210	122,915
(Loss) / income after income tax from continuing operations	38,935	(311,973)
(Loss) / income arising from discontinued operations	(33,259)	(432)
Net (loss) / income after income tax	5,676	(312,405)
Attributable to:		
Shareholders of the Bank	(21,517)	(336,257)
Non-controlling interests	27,193	23,852
Net (loss) / income for the period	5,676	(312,405)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

BANCO COMERCIAL PORTUGUÊS

Consolidated Cash Flows Statement
for the six months period ended 30 June, 2014 and 2013

	30 June 2014	30 June 2013
	(Thousands of Euros)	
Cash flows arising from operating activities		
Interest income received	1,264,498	1,271,723
Commissions received	431,999	455,959
Fees received from services rendered	53,535	34,463
Interest expense paid	(901,954)	(784,021)
Commissions paid	(139,874)	(145,008)
Recoveries on loans previously written off	8,188	6,322
Net earned premiums	14,696	11,199
Claims incurred	(5,146)	(8,049)
Payments to suppliers and employees	(761,299)	(769,240)
	(35,357)	73,348
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(52,365)	1,518,358
Deposits with Central Banks under monetary regulations	1,073,704	1,784,500
Loans and advances to customers	2,008,617	1,017,108
Short term trading account securities	(99,846)	(374,336)
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	20,308	(155,168)
Deposits from credit institutions with agreed maturity date	(398,271)	(280,386)
Deposits from clients repayable on demand	634,989	666,822
Deposits from clients with agreed maturity date	(1,236,433)	706,788
	1,915,346	4,957,034
Income taxes (paid) / received	(44,088)	(29,029)
	1,871,258	4,928,005
Cash flows arising from investing activities		
Proceeds from sale of shares in subsidiaries and associated companies	125,963	3,635
Dividends received	9,107	4,293
Interest income from available for sale financial assets and held to maturity financial assets	254,213	214,890
Proceeds from sale of available for sale financial assets	6,895,534	8,658,459
Available for sale financial assets purchased	(43,118,804)	(44,140,175)
Proceeds from available for sale financial assets on maturity	35,351,902	34,306,170
Acquisition of fixed assets	(43,480)	(28,486)
Proceeds from sale of fixed assets	12,049	35,266
Decrease / (increase) in other sundry assets	(479,108)	(115,201)
	(992,624)	(1,061,149)
Cash flows arising from financing activities		
Issuance of subordinated debt	612	903
Reimbursement of subordinated debt	(400,075)	(813)
Issuance of debt securities	3,425,088	2,944,218
Reimbursement of debt securities	(4,686,520)	(6,195,165)
Issuance of commercial paper and other securities	123,078	112,166
Reimbursement of commercial paper and other securities	(8,651)	(9,992)
Dividends paid to non-controlling interests	(31,055)	(8,979)
Increase / (decrease) in other sundry liabilities and non-controlling interests	235,968	(286,137)
	(1,341,555)	(3,443,799)
Exchange differences effect on cash and equivalents	(12,695)	(46,532)
Net changes in cash and equivalents	(475,616)	376,525
Cash and equivalents at the beginning of the period	1,733,730	1,562,300
Cash (note 20)	537,558	579,551
Other short term investments (note 21)	720,556	1,359,274
Cash and equivalents at the end of the period	1,258,114	1,938,825

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Consolidated Statement of Changes in Equity
for the six months period ended 30 June, 2014 and 2013

(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 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:											
Share premium (note 43)	-	-	-	-	(71,722)	-	-	-	71,722	-	-
Legal reserve (note 42)	-	-	-	-	-	(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)	-	-
Deferred tax of actuarial losses	(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 45)	43,987	-	-	-	-	-	-	-	-	-	43,987
Dividends of 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 43)	(42,895)	-	-	-	-	-	(37,009)	-	-	-	(5,886)
Other reserves arising on consolidation (note 43)	(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
Costs related to the share capital increase	(3)	-	-	-	-	-	-	-	(3)	-	-
Tax related to costs arising from the share capital increase	33	-	-	-	-	-	-	-	33	-	-
Actuarial losses for the period	6,327	-	-	-	-	-	-	6,327	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(252,231)	-	-	-	-	-	-	-	(252,231)	-	-
Net (loss) / income for the period attributable to non-controlling interests (note 45)	49,715	-	-	-	-	-	-	-	-	-	49,715
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.	1	-	-	-	-	-	-	-	-	-	1
Treasury stock	(6,237)	-	-	-	-	-	-	-	-	(6,237)	-
Exchange differences arising on consolidation	(2,250)	-	-	-	-	-	-	(6,063)	-	-	3,813
Fair value reserves (note 43)	64,270	-	-	-	-	-	56,652	-	-	-	7,618
Other reserves arising on consolidation (note 43)	(343)	-	-	-	-	-	-	-	(378)	-	35
Balance on 31 December, 2013	3,275,808	3,500,000	171,175	9,853	-	223,270	22,311	(1,997,423)	676,766	(22,745)	692,601
Share capital decrease (note 41)	-	(2,035,000)	-	-	-	-	-	-	2,035,000	-	-
Deferred tax of actuarial losses											
Gross value	(547)	-	-	-	-	-	-	(547)	-	-	-
Taxes	(6,892)	-	-	-	-	-	-	(6,892)	-	-	-
Net (loss) / income for the period attributable to Shareholders of the Bank	(62,247)	-	-	-	-	-	-	-	(62,247)	-	-
Net (loss) / income for the period attributable to non-controlling interests (note 45)	52,596	-	-	-	-	-	-	-	-	-	52,596
Dividends of BIM - Banco Internacional de Moçambique, S.A., SIM - Seguradora Internacional de Moçambique, S.A.R.L. and Bank Millennium, S.A.	(31,055)	-	-	-	-	-	-	-	-	-	(31,055)
Treasury stock	(10,010)	-	-	-	-	-	-	-	-	(10,010)	-
Exchange differences arising on consolidation	(12,695)	-	-	-	-	-	-	(8,154)	-	-	(4,541)
Fair value reserves (note 43)	166,155	-	-	-	-	-	165,210	-	-	-	945
Other reserves arising on consolidation (note 43)	(502)	-	-	-	-	-	-	-	(494)	-	(8)
Balance on 30 June, 2014	3,370,611	1,465,000	171,175	9,853	-	223,270	187,521	(2,013,016)	2,649,025	(32,755)	710,538

See accompanying notes to the interim consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Statement of Comprehensive income
for the six months period ended 30 June, 2014

		30 June 2014 (Thousands of Euros)			Attributable to	
		Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
Items that may be reclassified to the income statement						
Fair value reserves		205,844	799	206,643	205,659	984
Taxes		(40,361)	(127)	(40,488)	(40,449)	(39)
		165,483	672	166,155	165,210	945
Exchange differences arising on consolidation		(14,140)	1,445	(12,695)	(8,154)	(4,541)
		151,343	2,117	153,460	157,056	(3,596)
Items that will not be reclassified to the income statement						
Actuarial losses for the period						
Gross amount						
BCP Pensions Fund						
Not related to changes in actuarial assumptions						
Return of the fund	49	212,348	329	212,677	212,677	-
Difference between the expected and the effective obligations	49	7,128	25	7,153	7,153	-
Arising from changes in actuarial assumptions	49	(221,268)	(534)	(221,802)	(221,802)	-
		(1,792)	(180)	(1,972)	(1,972)	-
Actuarial losses from associated companies		1,425	-	1,425	1,425	-
Taxes		(6,933)	41	(6,892)	(6,892)	-
		(7,300)	(139)	(7,439)	(7,439)	-
Other comprehensive (loss) / income after taxes		144,043	1,978	146,021	149,617	(3,596)
Consolidated net (loss) / income for the period		23,954	(33,605)	(9,651)	(62,247)	52,596
Total comprehensive (loss) / income for the period		167,997	(31,627)	136,370	87,370	49,000

BANCO COMERCIAL PORTUGUÊS

Statement of Comprehensive income
for the six months period ended 30 June, 2013

		30 June 2013 (Thousands of Euros)				
					Attributable to	
		Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
Items that may be reclassified to the income statement						
Fair value reserves		(61,385)	(619)	(62,004)	(54,644)	(7,360)
Taxes		18,920	189	19,109	17,635	1,474
		(42,465)	(430)	(42,895)	(37,009)	(5,886)
Exchange differences arising on consolidation		(46,313)	(219)	(46,532)	(20,910)	(25,622)
		(88,778)	(649)	(89,427)	(57,919)	(31,508)
Items that will not be reclassified to the income statement						
Actuarial losses for the period						
Gross amount						
BCP Pensions Fund						
Not related to changes in actuarial assumptions						
Return of the fund	49	(46,498)	(134)	(46,632)	(46,632)	-
Difference between the expected and the effective obligations	49	1,931	41	1,972	1,972	-
		(44,567)	(93)	(44,660)	(44,660)	-
Actuarial losses from associated companies		(1,796)	(305)	(2,101)	(2,101)	-
Taxes		6,871	20	6,891	6,891	-
		(39,492)	(378)	(39,870)	(39,870)	-
Other comprehensive (loss) / income after taxes		(128,270)	(1,027)	(129,297)	(97,789)	(31,508)
Consolidated net (loss) / income for the period		(400,026)	(44,206)	(444,232)	(488,219)	43,987
Total comprehensive (loss) / income for the period		(528,296)	(45,233)	(573,529)	(586,008)	12,479

BANCO COMERCIAL PORTUGUÊS

Statement of Comprehensive income
for the three month period between 1 April and 30 June, 2014

		Second quarter 2014 (Thousands of Euros)			Attributable to	
		Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
Items that may be reclassified to the income statement						
Fair value reserves		61,250	759	62,009	59,915	2,094
Taxes		(16,355)	(121)	(16,476)	(16,120)	(356)
		44,895	638	45,533	43,795	1,738
Exchange differences arising on consolidation		3,179	1,259	4,438	2,290	2,148
		48,074	1,897	49,971	46,085	3,886
Items that will not be reclassified to the income statement						
Actuarial losses for the period						
Gross amount						
BCP Pensions Fund						
Not related to changes in actuarial assumptions						
Return of the fund	49	212,348	329	212,677	212,677	-
Difference between the expected and the effective obligations	49	7,128	25	7,153	7,153	-
Arising from changes in actuarial assumptions	49	(221,268)	(534)	(221,802)	(221,802)	-
		(1,792)	(180)	(1,972)	(1,972)	-
Actuarial losses from associated companies		1,425	-	1,425	1,425	-
Taxes		(2,801)	42	(2,759)	(2,759)	-
		(3,168)	(138)	(3,306)	(3,306)	-
Other comprehensive (loss) / income after taxes		44,906	1,759	46,665	42,779	3,886
Consolidated net (loss) / income for the period		38,935	(33,259)	5,676	(21,517)	27,193
Total comprehensive (loss) / income for the period		83,841	(31,500)	52,341	21,262	31,079

BANCO COMERCIAL PORTUGUÊS

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

		Second quarter 2013 (Thousands of Euros)				
					Attributable to	
		Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
Items that may be reclassified to the income statement						
Fair value reserves		(81,057)	2,366	(78,691)	(70,193)	(8,498)
Taxes		19,466	(612)	18,854	17,182	1,672
		(61,591)	1,754	(59,837)	(53,011)	(6,826)
Exchange differences arising on consolidation		(34,427)	(688)	(35,115)	(16,591)	(18,524)
		(96,018)	1,066	(94,952)	(69,602)	(25,350)
Items that will not be reclassified to the income statement						
Actuarial losses for the period						
Gross amount						
BCP Pensions Fund						
Not related to changes in actuarial assumptions						
Return of the fund	49	(46,498)	(134)	(46,632)	(46,632)	-
Difference between the expected and the effective obligations	49	1,931	41	1,972	1,972	-
		(44,567)	(93)	(44,660)	(44,660)	-
Actuarial losses from associated companies		(1,796)	(305)	(2,101)	(2,101)	-
Taxes		10,613	22	10,635	10,635	-
		(35,750)	(376)	(36,126)	(36,126)	-
Other comprehensive (loss) / income after taxes		(131,768)	690	(131,078)	(105,728)	(25,350)
Consolidated net (loss) / income for the period		2,282,358	80,484,212	82,766,570	69,706,425	13,060,145
Total comprehensive (loss) / income for the period		2,150,590	80,484,902	82,635,492	69,600,697	13,034,795

See accompanying notes to the interim consolidated financial statements

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 operating on 5 May, 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the six months ended 30 June, 2014 and 2013.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002 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 28 August 2014 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, 2014 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 2014 with comparative figures for the second quarter of last year. The financial statements for the six months period ended 30 June, 2014 do not include all the information to be published in the annual financial statements. 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 financial statements of the Group. This fact should be considered for comparative analyses.

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, with the changes arising from the adoption of the following standards: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interest in Other Entities, mandatory for accounting periods beginning on or after 1 January, 2014.

- *IFRS 10 - Consolidated Financial Statements*

IFRS 10 revoked part of IAS 27- Separate Financial Statements and SIC 12 and introduced a new single model of control which determines when an investment should be consolidated. This new model is focus on whether the entity has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns (de facto control).

In accordance with the transitional provisions of IRFS 10, the Group reassessed the control over its investments at 1 January, 2013, and no impact was determined as a result of this reassessment.

IFRS 11 – Joint Arrangements

IFRS 11 withdraw IAS 31 and SIC 13, defines "joint control" by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a "join arrangement" to determine the nature of the joint arrangement ("joint operations" or "joint ventures") by assessing its rights and obligations. IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of "joint venture" must be account for using the equity method (IAS 28).

The changes introduce by IFRS 11 did not have any impact in the measurement of assets and liabilities of the Group.

IFRS 12 – Disclosures of Interest in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special vehicles and other off balance sheet vehicles.

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 financial assets available for sale, 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.

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

Investments in subsidiaries

Subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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 revaluated 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 until 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 - Differences arising from consolidation

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 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.

Loss of control

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.

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 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 occurs 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 ability 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, is made an assessment of the existence of objective evidence of impairment. 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% of depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year 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 is 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.

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 measurement of these assets is determined based on the lower of the carrying amount and the corresponding fair value less costs to sell. 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, the following aspects are considered:

- Interest income for overdue loans with collaterals are accounted for as income, up to the limit of the valuation of the collateral 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 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.

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 pension's 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 re-measurement, 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 correspond 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.

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 2014, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July, 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 2014 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, whenever it is attributed.

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's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available. The Group controls its activity through the following major operating segments:

Portugal
- Retail Banking (including ActivoBank);
- Companies (including Companies in Portugal and Corporate and Investment Banking);
- Asset management and Private Banking;
- Non-core business portfolio

Foreign activity
- Poland;
- Angola:
- Mozambique.

Regarding the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) on the Bank's Restructuring Plan, in particular the sale of Millennium bcp's operation in Romania in the mid-term and the implementation of a new approach to the assets management business, the activities of Millennium bank in Romania and of Millennium bcp Gestão de Activos were presented on the line item of "income arising from discontinued operations" at 30 June 2013 and at 30 June 2014. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Romania and of Millennium bcp Gestão de Activos remained considered as at 30 June 2014 and at 30 June 2013.

Additionally, following the sale of the entire share capital of Millennium bank in Greece, concluded on 19 June 2013, Millennium bank in Greece was classified as a discontinued operation, during 2013, and the results obtained till that date presented on a separate line item in the profit and loss account, defined as "income arising from discontinued operations".

Others

The aggregate Others includes the activity not allocated to the segments mentioned above, namely the developed by subsidiaries in 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.

The measurement of provisions takes into account the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. 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 intermediation services

The Banco Comercial Português and Banco ActivoBank are entities authorized by the Insurance Institute of Portugal to practice the activity of insurance intermediation 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 intermediation services, the banks perform the sale of insurance contracts. As compensation for services rendered for insurance intermediation, 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 intermediation 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. The 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, 30% of depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year 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 (either 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.

Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it is exposed to, or has rights to, the variable returns from its involvement with the entity (de facto control).

The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine what extend the Group is exposed to the variable returns and its ability to use its power to affect those returns.

Different estimates and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in net income.

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 each of these captions, whereby the 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 2014 Euros '000	Jun 2013 Euros '000
Net interest income	495,959	380,236
Net gains / (losses) from trading and hedging assets	54,643	(442)
Net gains / (losses) from financial assets available for sale	120,518	53,858
Net gains / (losses) from financial assets held to maturity	-	(278)
	671,120	433,374

3. Net interest income

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Interest and similar income		
Interest on loans and advances	1,033,854	1,092,509
Interest on trading securities	8,633	11,200
Interest on available for sale financial assets	151,921	160,341
Interest on held to maturity financial assets	60,283	61,503
Interest on hedging derivatives	59,037	73,178
Interest on derivatives associated to financial instruments through profit and loss account	14,575	2,071
Interest on deposits and other investments	21,370	37,089
	1,349,673	1,437,891
Interest expense and similar charges		
Interest on deposits and inter-bank funding	474,795	625,753
Interest on securities sold under repurchase agreement	5,347	7,869
Interest on securities issued	195,594	243,817
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	130,554	134,679
Others	32,995	31,938
Interest on hedging derivatives	7,955	11,205
Interest on derivatives associated to financial instruments through profit and loss account	6,474	2,394
	853,714	1,057,655
	495,959	380,236

The balance Interest on loans and advances includes the amount of Euros 28,488,000 (30 June 2013: Euros 34,801,000) related to commissions and other gains accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balances Interest on securities issued and Interest on subordinated debt include the amount of Euros 83,734,000 (30 June 2013: Euros 101,330,000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balance Interest and similar income includes, the amount of Euros 97,657,000 (30 June 2013: 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 2014 Euros '000	Jun 2013 Euros '000
Dividends from financial assets available for sale	5,726	1,492
	5,726	1,492

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 2014 Euros '000	Jun 2013 Euros '000
Fees and commissions received		
From guarantees	42,697	48,466
From credit and commitments	910	635
From banking services	269,011	244,223
From insurance activity	756	729
From other services	99,356	133,988
	412,730	428,041
Fees and commissions paid		
From guarantees	17,857	38,364
From banking services	43,021	45,204
From insurance activity	857	782
From other services	9,812	10,838
	71,547	95,188
	341,183	332,853

The balance Fees and commissions received - From banking services includes the amount of Euros 36,621,000 ((30 June 2013: Euros 36,686,000) related to insurance mediation commissions.

The caption Fees and commissions expenses - From guarantees includes the amount of Euros 16,437,000 (30 June 2013: Euros 35,352,000) related to commissions paid relating the issues guaranteed given by the Portuguese State.

6. Net gains / (losses) arising from trading and hedging activities

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Gains arising on trading and hedging activities		
Foreign exchange activity	464,285	659,814
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	30,044	17,453
Variable income	382	581
Certificates and structured securities issued	40,592	30,290
Derivatives associated to financial instruments through profit and loss account	27,257	13,023
Other financial instruments derivatives	344,417	917,212
Other financial instruments through profit and loss account	3,274	5,547
Repurchase of own issues	12,724	4,303
Hedging accounting		
Hedging derivatives	56,170	51,589
Hedged item	12,969	31,484
Other activity	24,160	22,798
	1,016,274	1,754,094
Losses arising on trading and hedging activities		
Foreign exchange activity	418,294	611,773
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	2,836	17,343
Variable income	86	2,927
Certificates and structured securities issued	53,383	28,564
Derivatives associated to financial instruments through profit and loss account	24,352	11,237
Other financial instruments derivatives	354,238	896,545
Other financial instruments through profit and loss account	18,548	9,679
Repurchase of own issues	11,104	5,497
Hedging accounting		
Hedging derivatives	25,911	84,919
Hedged item	39,481	3,650
Other activity	13,398	82,402
	961,631	1,754,536
	54,643	(442)

The caption Net gains arising from trading and hedging activities includes as at 30 June 2014, for Deposits from customers - Deposits at fair value through profit and loss, a loss of Euros 4,418,000 (30 June 2013: loss of Euros 1,960,000) related with the fair value changes arising from changes in own credit risk (spread), as referred in note 35.

This caption also includes as at 30 June 2014, for Debt securities at fair value through profit and loss, a gain of Euros 1,119,000 (30 June 2013: loss of Euros 6,323,000) related with the fair value changes arising from changes in own credit risk (spread), as referred in note 36.

The result of repurchases of own issues is determined in accordance with the accounting policy described in note 1 d).

7. Net gains / (losses) arising from financial assets available for sale

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Gains arising from financial assets available for sale		
Fixed income	117,636	61,080
Variable income	4,587	575
Losses arising from financial assets available for sale		
Fixed income	(201)	(6,815)
Variable income	(1,504)	(982)
	120,518	53,858

The caption Gains arising from financial assets available for sale - Fixed income - includes, as at 30 June 2014, the amount of Euros 110,951,000 (30 June 2013: Euros 49,368,000) related to gains resulting from the sale of Portuguese public debt.

8. Net gains / (losses) arising from financial assets held to maturity

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Losses arising from financial assets held to maturity	-	(278)
	-	(278)

9. Other operating income / (costs)

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Operating income		
Income from services	16,841	16,356
Cheques and others	7,335	7,143
Other operating income	1,479	3,826
	25,655	27,325
Operating costs		
Indirect taxes	3,568	10,537
Donations and contributions	1,984	2,149
Specific contribution for the banking sector	20,008	16,946
Specific contribution for the resolution fund	4,023	4,157
Other operating expenses	22,027	17,865
	51,610	51,654
	(25,955)	(24,329)

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 2014 Euros '000	Jun 2013 Euros '000
Salaries and remunerations	245,796	255,531
Mandatory social security charges		
BCP Pension Fund		
Service cost	(3,025)	(4,335)
Interest cost / (income)	1,642	(657)
Cost with early retirement programs	(147)	5,925
Impact of the decrease of the changing of the calculation formula of the Death Subsidy DL 13/2013 and 133/2012	-	(7,453)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	-	(638)
	(1,530)	(7,158)
Other mandatory social security charges	56,685	58,329
	55,155	51,171
Voluntary social security charges	17,014	18,376
Seniority premium	2,777	3,241
Other staff costs	2,649	8,281
	323,391	336,600

The balance Mandatory social security charges included on 30 June 2013, a gain of Euros 7,453,000 arising from the change in 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.

In accordance with IAS 19, it is a negative past service cost which occurs when changes in the benefits plan exist, which result in a reduction of the current value of the liabilities for rendered services. On this base, and as referred in note 49, the Group accounted for the referred impact in results.

11. Other administrative costs

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Water, electricity and fuel	9,942	10,495
Consumables	3,001	2,761
Rents	58,036	62,494
Communications	14,124	15,043
Travel, hotel and representation costs	4,929	4,984
Advertising	15,724	12,746
Maintenance and related services	14,506	14,692
Credit cards and mortgage	2,327	2,623
Advisory services	4,969	7,718
Information technology services	10,439	9,484
Outsourcing	37,048	38,349
Other specialised services	14,885	14,437
Training costs	803	555
Insurance	2,438	2,742
Legal expenses	3,776	4,036
Transportation	5,054	5,232
Other supplies and services	19,494	17,749
	221,495	226,140

The caption Rents includes the amount of Euros 48,778,000 (30 June 2013: Euros 52,953,000) 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, are as follows:

	Jun 2014			Jun 2013		
	Properties Euros '000	Vehicles Euros '000	Total Euros '000	Properties Euros '000	Vehicles Euros '000	Total Euros '000
Until 1 year	70,449	2,219	72,668	70,514	3,015	73,529
1 to 5 years	112,955	1,954	114,909	121,433	3,419	124,852
Over 5 years	21,182	-	21,182	30,461	-	30,461
	204,586	4,173	208,759	222,408	6,434	228,842

12. Depreciation

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Intangible assets:		
Software	6,949	7,827
Other intangible assets	181	72
	7,130	7,899
Property, plant and equipment:		
Land and buildings	13,288	11,768
Equipment		
Furniture	997	1,236
Office equipment	1,120	1,241
Computer equipment	4,130	5,862
Interior installations	1,113	1,409
Motor vehicles	1,857	1,655
Security equipment	1,218	980
Other equipment	962	1,279
Other tangible assets	1	1
	24,686	25,431
	31,816	33,330

13. Loans impairment

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Loans and advances to credit institutions:		
For overdue loans and credit risks		
Impairment for the period	-	17
Write-back for the period	(4)	-
	(4)	17
Loans and advances to customers:		
For overdue loans and credit risks		
Charge for the period	685,541	887,151
Write-back for the period	(305,720)	(406,879)
Recovery of loans and interest charged-off	(8,187)	(6,321)
	371,634	473,951
	371,630	473,968

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 2014 Euros '000	Jun 2013 Euros '000
Impairment for financial assets available for sale		
Charge for the period	39,129	13,347
	39,129	13,347

The caption Impairment for financial assets available for sale includes impairment losses on shares and on participation units held by the Group in the amount of Euros 39,129,000 (30 June 2013: Euros 13,347,000).

15. Other provisions

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Provision for guarantees and other commitments		
Charge for the period	24,587	58,101
Write-back for the period	(9,014)	(6,873)
	15,573	51,228
Other provisions for liabilities and charges		
Charge for the period	30,155	103,086
Write-back for the period	(1,199)	(940)
	28,956	102,146
	44,529	153,374

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 2014 Euros '000	Jun 2013 Euros '000
Banque BCP, S.A.S.	1,370	1,691
Banque BCP (Luxembourg), S.A.	25	(101)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	24,087	25,995
SIBS, S.G.P.S, S.A.	1,694	1,141
Unicre - Instituição Financeira de Crédito, S.A.	311	1,023
VSC - Aluguer de Veículos Sem Condutor, Lda.	379	(314)
Other companies	(4,872)	1,208
	22,994	30,643

17. Gains / (losses) arising from the sale of subsidiaries and other assets

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Disposal of the investments held in Ocidental - Companhia Portuguesa de Seguros, S.A. and in Médis - Companhia Portuguesa Seguros de Saúde, S.A.	69,396	-
Partial disposal of the investment held in Banque BCP (Luxembourg), S.A.	-	859
Other assets	(5,258)	(10,775)
	64,138	(9,916)

The caption Disposal of the investments held in Ocidental - Companhia Portuguesa de Seguros, S.A. and in Médis - Companhia Portuguesa Seguros de Saúde, S.A. corresponds to the gain generated on the sale of 49% of the investments held in the insurance companies that operate exclusively in the non-life insurance business, as referred in note 47.

The caption Gains / (losses) arising 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.

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 occurred in June 2013. The Group now holds 9.9% of the share capital of the company.

18. (Loss) / income arising from discontinued operations

The amount of this account is comprised of:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Net (loss) / income before income tax:		
Millennium Bank (Greece)	-	(98,773)
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	1,703	1,142
Banca Millennium S.A.	(1,106)	(4,069)
Impairment Banca Millennium S.A.	(34,000)	-
Gain arising from the sale of Millennium Bank (Greece)	-	31,780
Others	94	248
	(33,309)	(69,672)
Taxes:		
Millennium Bank (Greece)	-	25,254
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	(436)	(315)
Banca Millennium S.A.	155	575
Others	(15)	(48)
	(296)	25,466
	(33,605)	(44,206)

In accordance with accounting policy described in note 1k), with reference at 30 June 2014, the balance Impairment Banca Millennium S.A., corresponds to the impact from the difference between the estimated fair value less cost to sell of the subsidiary in accordance with the available information, and the respectively equity accounted in the consolidated financial statements of the BCP Group. As referred in note 59, the sale of Banca Millennium was formalized at 30 July 2014, depending on the authorizations of the regulatory entities.

19. Earnings per share

The earnings per share are calculated as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Net (loss) / income from continuing operations	(28,642)	(444,013)
(Loss) / income arising from discontinued operations	(33,605)	(44,206)
Net (loss) / income	(62,247)	(488,219)
Average number of shares	19,707,167,060	19,707,167,060
Basic earnings per share (Euros):		
from continuing operations	0,00	(0.05)
from discontinued operations	(0.01)	0,00
	(0.01)	(0.05)
Diluted earnings per share (Euros)		
from continuing operations	0,00	(0.05)
from discontinued operations	(0.01)	0,00
	(0.01)	(0.05)

The Bank's share capital, as at 30 June 2014, amounts to Euros 1,465,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, and is fully paid.

In June 2014, the Bank registered a decrease of the share capital from Euros 3,500,000,000 to Euros 1,465,000,000 without changing the number of existing shares without nominal value.

20. Cash and deposits at Central Banks

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Cash	537,558	679,700
Central Banks		
Bank of Portugal	500,477	1,162,198
Central Banks abroad	889,912	1,097,765
	1,927,947	2,939,663

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 to 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 2014 Euros '000	Dec 2013 Euros '000
Credit institutions in Portugal	8,170	6,027
Credit institutions abroad	483,222	850,029
Amounts due for collection	229,164	197,974
	720,556	1,054,030

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions.

22. Other loans and advances to credit institutions

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Central Banks abroad	58,137	262,267
Credit institutions in Portugal	14,915	36,913
Credit institutions abroad	939,652	941,650
	1,012,704	1,240,830
Impairment for other loans and advances to credit institutions	(133)	(202)
	1,012,571	1,240,628

Following the signed agreements of derivative financial transactions with institutional counterparties, the Group has the amount of Euros 520,711,000 (31 December 2013: Euros 501,396,000) of Loans and advances to credit institutions granted as collateral on the mentioned transactions.

The changes occurred in impairment for other loans and advances to credit institutions are analysed as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Balance on 1 January	202	2,358
Transfers	(68)	(262)
Impairment for the period	-	17
Write-back for the period	(4)	-
Loans charged-off	-	(1,811)
Exchange rate differences	3	(35)
Balance on 30 June	133	267

23. Loans and advances to customers

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Public sector	1,356,115	1,213,574
Asset-backed loans	32,246,203	35,507,371
Personal guaranteed loans	10,121,268	9,134,948
Unsecured loans	3,308,532	2,861,931
Foreign loans	2,495,353	2,630,179
Factoring	1,455,883	1,120,635
Finance leases	3,273,258	3,347,879
	54,256,612	55,816,517
Overdue loans - less than 90 days	166,916	125,202
Overdue loans - Over 90 days	4,288,697	4,280,537
	58,712,225	60,222,256
Impairment for credit risk	(3,164,885)	(3,420,059)
	55,547,340	56,802,197

As at 30 June 2014, the balance Loans and advances to customers includes the amount of Euros 13,087,466,000 (31 December 2013: Euros 13,218,648,000) regarding mortgage loans which are allocated as a collateral for seven asset-back securities, issued by the Group.

As referred in note 52, 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 56, 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 1,358,178,000 (31 December 2013: Euros: 1,204,667,000).

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

	Jun 2014 Euros '000	Dec 2013 Euros '000
Loans not represented by securities		
Discounted bills	364,422	371,637
Current account credits	2,645,249	2,605,813
Overdrafts	2,048,771	1,833,990
Loans	15,643,454	16,862,327
Mortgage loans	26,745,086	27,367,062
Factoring	1,455,883	1,120,635
Finance leases	3,273,258	3,347,879
	52,176,123	53,509,343
Loans represented by securities		
Commercial paper	1,748,190	1,829,560
Bonds	332,299	477,614
	2,080,489	2,307,174
	54,256,612	55,816,517
Overdue loans - less than 90 days	166,916	125,202
Overdue loans - Over 90 days	4,288,697	4,280,537
	58,712,225	60,222,256
Impairment for credit risk	(3,164,885)	(3,420,059)
	55,547,340	56,802,197

The analysis of loans and advances to customers, by sector of activity, is as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Agriculture	424,643	390,165
Mining	200,641	177,689
Food, beverage and tobacco	542,501	509,340
Textiles	474,885	454,475
Wood and cork	223,054	209,747
Paper, printing and publishing	199,491	231,682
Chemicals	671,009	617,703
Machinery, equipment and basic metallurgical	1,031,792	985,780
Electricity, water and gas	1,165,312	1,191,942
Construction	4,087,622	4,502,979
Retail business	1,300,390	1,259,196
Wholesale business	2,218,141	2,059,034
Restaurants and hotels	1,259,124	1,301,132
Transports and communications	1,940,364	2,362,520
Services	11,873,747	12,427,129
Consumer credit	3,661,200	3,583,050
Mortgage credit	26,199,740	26,603,015
Other domestic activities	9,359	6,841
Other international activities	1,229,210	1,348,837
	58,712,225	60,222,256
Impairment for credit risk	(3,164,885)	(3,420,059)
	55,547,340	56,802,197

Loans and advances to customers includes the effect of traditional securitization transactions owned by Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 b) and synthetic securitization.

Securitization transactions engaged by BCP Group refer to mortgage loans, consumer loans, leases, commercial paper and corporate loans. The 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 2014 Euros '000	Dec 2013 Euros '000
Mortgage loans	668,579	697,184
Consumer loans	69,393	108,932
Leases	-	509,735
Corporate loans	-	2,122,436
	737,972	3,438,287

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 of the SPE associated with this operation, with reference to 30 June 2014, amounts to Euros 471,479,000 and the nominal value of liabilities amounts to Euros 489,983,000.

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 of the SPE associated with this operation, with reference to 30 June 2014, amounts to Euros 197,099,000 and the nominal value of liabilities amounts to Euros 213,505,000.

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 69,393,000, with reference to 30 June 2014, 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 65,588,000, are majorly held by the Group, and the amount of Euros 3,263,000 is placed on the market.

Caravela SME No. 3

As at 30 June 2014, the synthetic securitization "Caravela SME No.3" amounts to Euros 2,407,934,000.

Caravela SME No. 4

As at 30 June 2014, the synthetic securitization "Caravela SME No.4" amounts to Euros 999,416,000.

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 2014 Euros '000	Dec 2013 Euros '000
Total loans	64,005,666	65,750,346
Loans and advances to customers with impairment		
Individually significant		
Gross amount	8,104,720	8,968,050
Impairment	(2,197,152)	(2,472,274)
	5,907,568	6,495,776
Parametric analysis		
Gross amount	4,365,904	4,403,868
Impairment	(1,007,652)	(979,007)
	3,358,252	3,424,861
Loans and advances to customers without impairment	51,535,042	52,378,428
Impairment (IBNR)	(187,217)	(180,543)
	60,613,645	62,118,522

The balance Total loans includes the loans and advances to customers and the guarantees granted and commitments to third parties balance (see note 46), in the amount of Euros 5,293,441,000 (31 December 2013: Euros 5,528,090,000).

The balances Impairment and Impairment ('IBNR') were determined in accordance with the accounting policy described in note 1 c), including the provision for guarantees and other commitments to third parties (see note 38), in the amount of Euros 227,136,000 (31 December 2013 Euros 211,765,000).

The fair values of collaterals related to the loan portfolios, is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Loans and advances to customers with impairment		
Individually significant		
Securities and other financial assets	1,254,921	1,330,502
Home mortgages	693,343	806,154
Other real estate	1,735,765	2,031,876
Other guarantees	716,516	639,764
	4,400,545	4,808,296
Parametric analysis		
Securities and other financial assets	47,057	46,968
Home mortgages	2,079,595	2,118,534
Other real estate	436,689	435,324
Other guarantees	166,282	156,625
	2,729,623	2,757,451
Loans and advances to customers without impairment		
Securities and other financial assets	2,055,935	2,127,843
Home mortgages	23,540,809	23,722,188
Other real estate	4,028,648	3,914,636
Other guarantees	3,801,130	3,639,842
	33,426,522	33,404,509
	40,556,690	40,970,256

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 2014, 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 2014 Euros '000	Dec 2013 Euros '000
Gross amount	3,796,348	3,882,683
Interest not yet due	(523,090)	(534,804)
Net book value	3,273,258	3,347,879

The analysis of financial lease contracts, by type of client, is presented as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Individuals		
Home	82,742	86,609
Consumer	34,441	39,442
Others	156,736	163,767
	273,919	289,818
Companies		
Equipment	1,152,188	1,195,108
Mortgage	1,847,151	1,862,953
	2,999,339	3,058,061
	3,273,258	3,347,879

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 2014, the amount of Euros 48,778,000 (30 June 2013: Euros 52,953,0000), corresponding to rents paid regarding buildings used by the Group as leasee.

The loans to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforce of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of restructured loans, by sector of activity, is as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Agriculture	1,913	2,599
Mining	211	121
Food, beverage and tobacco	2,399	2,560
Textiles	625	590
Wood and cork	940	1,159
Paper, printing and publishing	587	912
Chemicals	1,030	994
Machinery, equipment and basic metallurgical	24,466	26,716
Electricity, water and gas	1,017	1,400
Construction	27,952	17,607
Retail business	2,706	3,577
Wholesale business	34,602	39,980
Restaurants and hotels	1,671	1,875
Transports and communications	6,763	8,366
Services	19,887	185,524
Consumer credit	112,472	116,379
Mortgage credit	55,227	53,462
Other domestic activities	15	79
Other international activities	1,089	876
	295,572	464,776

The restructured 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 107,770,000 (31 December 2013: Euros 278,701,000).

Additionally, the portfolio includes loans that, based on the customer's financial difficulties, are subject to a change in the original terms of the contract, in the amount of Euros 4,780,050,000 (31 December 2013: Euros 4,572,260,000) with an impairment of Euros 457,717,000 (31 December 2013: Euros 410,848,000).

The analysis of overdue loans, by sector of activity, is as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Agriculture	21,257	22,633
Mining	9,448	9,539
Food, beverage and tobacco	27,325	31,196
Textiles	46,033	47,020
Wood and cork	37,049	43,702
Paper, printing and publishing	13,470	25,527
Chemicals	70,093	69,425
Machinery, equipment and basic metallurgical	87,078	76,940
Electricity, water and gas	17,483	12,943
Construction	1,211,854	1,235,057
Retail business	208,314	213,555
Wholesale business	232,485	240,213
Restaurants and hotels	246,245	229,188
Transports and communications	110,582	84,514
Services	1,170,043	1,096,002
Consumer credit	665,071	643,137
Mortgage credit	259,112	246,406
Other domestic activities	9,323	6,792
Other international activities	13,348	71,950
	4,455,613	4,405,739

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

	Jun 2014 Euros '000	Dec 2013 Euros '000
Public sector	2	1
Asset-backed loans	2,318,344	2,195,048
Personal guaranteed loans	775,021	766,502
Unsecured loans	964,192	968,225
Foreign loans	78,032	131,217
Factoring	44,227	34,012
Finance leases	275,795	310,734
	4,455,613	4,405,739

The changes occurred in impairment for credit risk are analysed as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Balance on 1 January	3,420,059	4,242,725
Transfers resulting from changes in the Group's structure	35,179	(892,552)
Other transfers	(23,116)	1,314
Impairment for the period	685,541	887,151
Write-back for the period	(305,720)	(406,879)
Loans charged-off	(645,476)	(279,777)
Exchange rate differences	(1,582)	(17,509)
Balance on 30 June	3,164,885	3,534,473

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 2014 Euros '000	Dec 2013 Euros '000
Agriculture	35,833	33,194
Mining	9,117	8,517
Food, beverage and tobacco	22,888	21,787
Textiles	23,051	22,470
Wood and cork	27,447	28,363
Paper, printing and publishing	17,548	38,544
Chemicals	46,373	37,349
Machinery, equipment and basic metallurgical	50,737	54,644
Electricity, water and gas	8,179	6,635
Construction	658,884	722,895
Retail business	124,114	121,375
Wholesale business	169,703	161,330
Restaurants and hotels	132,820	117,792
Transports and communications	94,756	99,748
Services	865,857	1,080,805
Consumer credit	451,724	442,295
Mortgage credit	286,806	274,156
Other domestic activities	69,238	20,252
Other international activities	69,810	127,908
	3,164,885	3,420,059

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

	Jun 2014 Euros '000	Dec 2013 Euros '000
Public sector	1,958	2,207
Asset-backed loans	1,514,940	1,717,255
Personal guaranteed loans	497,157	501,050
Unsecured loans	814,057	840,920
Foreign loans	141,619	144,869
Factoring	41,528	32,455
Finance leases	153,626	181,303
	3,164,885	3,420,059

The analysis of loans charged-off, by sector of activity, is as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Agriculture	680	336
Mining	221	38
Food, beverage and tobacco	3,090	1,524
Textiles	3,276	4,908
Wood and cork	10,204	5,422
Paper, printing and publishing	23,098	374
Chemicals	1,567	19,292
Machinery, equipment and basic metallurgical	6,586	35,696
Electricity, water and gas	1	49
Construction	152,367	34,606
Retail business	19,329	2,864
Wholesale business	23,724	12,023
Restaurants and hotels	10,700	4,622
Transports and communications	14,080	6,420
Services	323,783	61,308
Consumer credit	49,289	36,473
Mortgage credit	1,896	571
Other domestic activities	576	397
Other international activities	1,009	52,854
	645,476	279,777

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, during the first semester of 2014 and 2013, by type of credit, is as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Asset-backed loans	49,484	82,763
Personal guaranteed loans	19,881	34,648
Unsecured loans	506,106	155,667
Foreign loans	58,266	-
Factoring	1,253	-
Finance leases	10,486	6,699
	645,476	279,777

The analysis of recovered loans and interest, during the first semester of 2014 and 2013, by sector of activity, is as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Agriculture	84	4
Food, beverage and tobacco	84	67
Textiles	201	122
Wood and cork	-	183
Paper, printing and publishing	127	13
Chemicals	66	37
Machinery, equipment and basic metallurgical	1,232	16
Electricity, water and gas	25	-
Construction	440	1,886
Retail business	568	94
Wholesale business	624	414
Restaurants and hotels	199	92
Transports and communications	210	33
Services	452	123
Consumer credit	3,583	3,046
Mortgage credit	-	5
Other domestic activities	161	175
Other international activities	51	11
	8,187	6,321

The analysis of recovered loans and interest during the first semester of 2014 and 2013, by type of credit, is as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Asset-backed loans	210	61
Personal guaranteed loans	555	416
Unsecured loans	7,086	5,762
Foreign loans	290	-
Finance leases	46	82
	8,187	6,321

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 2014 Euros '000	Dec 2013 Euros '000
Bonds and other fixed income securities		
Issued by public entities	6,758,933	6,236,367
Issued by other entities	2,933,135	2,339,516
	9,692,068	8,575,883
Overdue securities	4,083	4,927
Impairment for overdue securities	(4,077)	(4,925)
	9,692,074	8,575,885
Shares and other variable income securities	1,320,487	1,203,203
	11,012,561	9,779,088
Trading derivatives	924,094	838,111
	11,936,655	10,617,199

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 7,000 (31 December 2013: Euros 944,000).

The portfolio of financial instruments held for trading and available for sale securities, net of impairment, is analysed as follows:

	Jun 2014			Dec 2013		
	Securities			Securities		
	Trading Euros '000	Available for sale Euros '000	Total Euros '000	Trading Euros '000	Available for sale Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	186,472	2,968,413	3,154,885	180,611	1,683,197	1,863,808
Foreign issuers	235,439	1,299,915	1,535,354	177,530	1,521,656	1,699,186
Bonds issued by other entities						
Portuguese issuers	583	659,437	660,020	58	395,311	395,369
Foreign issuers	86,824	1,539,685	1,626,509	81,292	1,217,431	1,298,723
Treasury bills and other Government bonds	-	2,068,694	2,068,694	-	2,673,373	2,673,373
Commercial paper	-	650,689	650,689	-	650,351	650,351
	509,318	9,186,833	9,696,151	439,491	8,141,319	8,580,810
Impairment for overdue securities	-	(4,077)	(4,077)	-	(4,925)	(4,925)
	509,318	9,182,756	9,692,074	439,491	8,136,394	8,575,885
Variable income:						
Shares in Portuguese companies	9,275	86,610	95,885	9,275	61,257	70,532
Shares in foreign companies	468	23,339	23,807	64	22,241	22,305
Investment fund units	1,237	1,197,419	1,198,656	1,371	1,107,228	1,108,599
Other securities	2,139	-	2,139	1,767	-	1,767
	13,119	1,307,368	1,320,487	12,477	1,190,726	1,203,203
Trading derivatives	924,094	-	924,094	838,111	-	838,111
	1,446,531	10,490,124	11,936,655	1,290,079	9,327,120	10,617,199
Level 1	607,276	6,242,177	6,849,453	542,475	5,712,999	6,255,474
Level 2	751,722	2,905,511	3,657,233	700,184	2,411,089	3,111,273
Level 3	77,182	1,255,299	1,332,481	37,009	1,142,350	1,179,359
Financial assets at cost	10,351	87,137	97,488	10,411	60,682	71,093

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 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 43. As at 30 June 2014, the amount of fair value reserves of Euros 285,218,000 (31 December 2013: Euros 79,599,000) is presented net of impairment losses in the amount of Euros 178,784,000 (31 December 2013: Euros 146,610,000).

As referred in the accounting policy note 1 f) the Group performed reclassifications of Financial instruments, during the first semester of 2010.

As mentioned in note 56, the balance Variable income - investment fund units includes the amount of Euros 1,127,794,000 (31 December 2013: Euros 1,040,178,000) related to participation units of funds specialized in recovery loans, acquired under the sale of loans and advances to customers (net of impairment). The amount of Euros 35,441,000 (31 December 2013: Euros 34,610,000) refers to junior tranches (bonds with a more subordinated nature), which are fully provided.

No reclassifications of financial assets were made during the first semester of 2014 and during 2013.

The portfolio of financial instruments held for trading and available for sale securities, net of impairment, as at 30 June 2014, by valuation levels, is analysed as follows:

	Jun 2014				
	Level 1 Euros '000	**Level 2 Euros '000**	**Level 3 Euros '000**	**Financial instruments at cost Euros '000**	**Total Euros '000**
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	3,154,885	-	-	-	3,154,885
Foreign issuers	1,251,932	283,422	-	-	1,535,354
Bonds issued by other entities					
Portuguese issuers	442,742	195,942	17,259	4,077	660,020
Foreign issuers	339,904	1,286,605	-	-	1,626,509
Treasury bills and other					
Government bonds	1,546,523	496,934	25,237	-	2,068,694
Commercial paper	-	650,689	-	-	650,689
	6,735,986	2,913,592	42,496	4,077	9,696,151
Impairment for overdue securities	-	-	-	(4,077)	(4,077)
	6,735,986	2,913,592	42,496	-	9,692,074
Variable income:					
Shares in Portuguese companies	5,907	1,179	16,506	72,293	95,885
Shares in foreign companies	52	731	-	23,024	23,807
Investment fund units	180	-	1,196,305	2,171	1,198,656
Other securities	2,139	-	-	-	2,139
	8,278	1,910	1,212,811	97,488	1,320,487
Trading derivatives	105,189	741,731	77,174	-	924,094
	6,849,453	3,657,233	1,332,481	97,488	11,936,655

The portfolio of financial instruments held for trading and available for sale securities, net of impairment, as at 31 December 2013, by valuation levels, is analysed as follows:

	Dec 2013				
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Financial instruments at cost Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	1,863,808	-	-	-	1,863,808
Foreign issuers	1,418,635	280,551	-	-	1,699,186
Bonds issued by other entities					
Portuguese issuers	277,951	112,393	-	5,025	395,369
Foreign issuers	369,768	928,955	-	-	1,298,723
Treasury bills and other					
Government bonds	2,216,276	431,611	25,486	-	2,673,373
Commercial paper	-	650,351	-	-	650,351
	6,146,438	2,403,861	25,486	5,025	8,580,810
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	6,146,438	2,403,861	25,486	100	8,575,885
Variable income:					
Shares in Portuguese companies	6,023	6,912	10,773	46,824	70,532
Shares in foreign companies	64	316	-	21,925	22,305
Investment fund units	257	-	1,106,098	2,244	1,108,599
Other securities	1,767	-	-	-	1,767
	8,111	7,228	1,116,871	70,993	1,203,203
Trading derivatives	100,925	700,184	37,002	-	838,111
	6,255,474	3,111,273	1,179,359	71,093	10,617,199

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

The assets included in level 3, in the amount of Euros 1,196,305,000 (31 December 2013: Euros 1,106,098,000) corresponds to units of closed-ended investment funds valued in accordance with 'Net assets attributable to unit holders' (NAV) quote determined by the management company and in accordance with the audited accounts for the respective funds. These funds have a diverse set of assets and liabilities valued in their respective accounts at fair value through internal methodologies used by the management company. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV, nevertheless it should be noted that a variation of + / - 10 % of the NAV has an impact of Euros 119,630,000 (31 December 2013: Euros 110,609,000) in Equity (Fair value reserves).

No significant reclassifications of financial assets were made during the first semester of 2014 and during 2013.

The reclassifications performed in prior years until 30 June 2014, are analysed as follows:

	At the reclassification date		Jun 2014		
	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	17,383	17,383	-
Financial assets held to maturity	2,144,892	2,144,892	728,676	762,235	33,559
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	123,347	126,377	3,030
Financial assets held to maturity	627,492	627,492	497,327	603,944	106,617
			1,366,733	1,509,939	143,206

The amounts accounted in the income statement and in fair value reserves, as at 30 June 2014 related to reclassified financial assets are analysed as follows:

	Income statement	Changes	
	Interests Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:			
Financial assets available for sale	409	3,596	4,005
Financial assets held to maturity	16,143	-	16,143
From Financial assets available for sale to:			
Loans represented by securities	2,650	3	2,653
Financial assets held to maturity	6,132	(179)	5,953
	25,334	3,420	28,754

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 30 June 2014, 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	3,596	-	(3,596)	-
Financial assets held to maturity	68,134	(34,575)	-	33,559
From Financial assets available for sale to:				
Loans represented by securities	-	-	3,030	3,030
Financial assets held to maturity	-	-	106,617	106,617
	71,730	(34,575)	106,051	143,206

As at 31 December 2013, this reclassification is analysed as follows:

	At the reclassification date		Dec 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	13,772	13,772	-
Financial assets held to maturity	2,144,892	2,144,892	982,456	947,881	(34,575)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	228,183	217,813	(10,370)
Financial assets held to maturity	627,492	627,492	514,668	565,245	50,577
			1,739,079	1,744,711	5,632

The amounts accounted in the income statement and in fair value reserves, as at 31 December 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	824	1,483	2,307
Financial assets held to maturity	35,035	-	35,035
From Financial assets available for sale to:			
Loans represented by securities	6,713	4	6,717
Financial assets held to maturity	12,330	(360)	11,970
	54,902	1,127	56,029

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2013, 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	1,483	-	(1,483)	-
Financial assets held to maturity	47,344	(81,919)	-	(34,575)
From Financial assets available for sale to:				
Loans represented by securities	-	-	(10,370)	(10,370)
Financial assets held to maturity	-	-	50,577	50,577
	48,827	(81,919)	38,724	5,632

The changes occurred in impairment for financial assets available for sale are analysed as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Balance on 1 January	146,610	130,945
Transfers	(7)	182
Impairment for the period	39,129	5,828
Impairment against fair value reserves	197	58
Write-back against fair value reserves	(1,126)	(428)
Loans charged-off	(6,012)	-
Exchange rate differences	(7)	(105)
Balance on 30 June	178,784	136,480

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 securities prices.

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 2014, is as follows:

	Jun 2014					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	2,336	2,339,759	812,790	-	3,154,885
Foreign issuers	551	157,825	1,238,554	138,424	-	1,535,354
Bonds issued by other entities						
Portuguese issuers	-	7,118	312,169	336,656	4,077	660,020
Foreign issuers	1,085,978	251,463	99,458	189,604	6	1,626,509
Treasury bills and other						
Government bonds	389,933	1,614,119	57,560	7,082	-	2,068,694
Commercial paper	650,689	-	-	-	-	650,689
	2,127,151	2,032,861	4,047,500	1,484,556	4,083	9,696,151
Impairment for overdue securities	-	-	-	-	(4,077)	(4,077)
	2,127,151	2,032,861	4,047,500	1,484,556	6	9,692,074
Variable income:						
Companies' shares						
Portuguese companies					95,885	95,885
Foreign companies					23,807	23,807
Investment fund units					1,198,656	1,198,656
Other securities					2,139	2,139
					1,320,487	1,320,487
	2,127,151	2,032,861	4,047,500	1,484,556	1,320,493	11,012,561

The analysis of financial assets held for trading and available for sale, by maturity, as at 31 December 2013, is as follows:

	Dec 2013					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	11,041	1,512,961	339,806	-	1,863,808
Foreign issuers	3,175	113,463	1,515,987	66,561	-	1,699,186
Bonds issued by other entities						
Portuguese issuers	42,372	52	125,865	222,155	4,925	395,369
Foreign issuers	724,200	305,087	92,038	177,396	2	1,298,723
Treasury bills and other						
Government bonds	772,696	1,878,196	14,500	7,981	-	2,673,373
Commercial paper	650,351	-	-	-	-	650,351
	2,192,794	2,307,839	3,261,351	813,899	4,927	8,580,810
Impairment for overdue securities	-	-	-	-	(4,925)	(4,925)
	2,192,794	2,307,839	3,261,351	813,899	2	8,575,885
Variable income:						
Companies' shares						
Portuguese companies					70,532	70,532
Foreign companies					22,305	22,305
Investment fund units					1,108,599	1,108,599
Other securities					1,767	1,767
					1,203,203	1,203,203
	2,192,794	2,307,839	3,261,351	813,899	1,203,205	9,779,088

The analysis of financial assets held for trading and available for sale by sector of activity, as at 30 June 2014 is as follows:

	Jun 2014				
	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	6	6
Textiles	-	5,000	-	361	5,361
Wood and cork	-	501	-	998	1,499
Paper, printing and publishing	13,101	42	-	-	13,143
Chemicals	-	4	-	-	4
Machinery, equipment and basic metallurgical	-	6	-	-	6
Electricity, water and gas	-	8	-	-	8
Construction	-	1,656	-	2,540	4,196
Retail business	-	416	-	-	416
Wholesale business	-	1,356	-	176	1,532
Restaurants and hotels	-	72	-	-	72
Transport and communications	353,439	35,800	-	-	389,239
Services	2,566,595	74,831	1,198,860	2	3,840,288
Other international activities	-	-	1,935	-	1,935
	2,933,135	119,692	1,200,795	4,083	4,257,705
Government and Public securities	4,690,239	-	2,068,694	-	6,758,933
Impairment for overdue securities	-	-	-	(4,077)	(4,077)
	7,623,374	119,692	3,269,489	6	11,012,561

The analysis of financial assets held for trading and available for sale by sector of activity as at 31 December 2013 is as follows:

	Dec 2013				
	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	2	2
Textiles	-	5,000	-	361	5,361
Wood and cork	-	501	-	998	1,499
Paper, printing and publishing	12,822	36	-	-	12,858
Chemicals	-	5	-	-	5
Machinery, equipment and basic metallurgical	-	7	-	-	7
Electricity, water and gas	-	6	-	-	6
Construction	-	1,656	-	2,560	4,216
Wholesale business	-	1,356	-	475	1,831
Restaurants and hotels	-	94	-	-	94
Transport and communications	169,466	11,216	-	529	181,211
Services	2,156,853	72,953	1,108,599	2	3,338,407
Other domestic activities	375	-	-	-	375
Other international activities	-	7	1,767	-	1,774
	2,339,516	92,837	1,110,366	4,927	3,547,646
Government and Public securities	3,562,994	-	2,673,373	-	6,236,367
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	5,902,510	92,837	3,783,739	2	9,779,088

As detailed in note 52, 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 2014, is as follows:

	Jun 2014					
	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:						
Interest rate swaps	1,452,504	3,579,000	15,093,344	20,124,848	668,375	739,904
Interest rate options (purchase)	142,597	176,913	61,865	381,375	1,591	-
Interest rate options (sale)	142,098	176,057	61,865	380,020	-	3,062
Other interest rate contracts	7,333	17,623	112,466	137,422	21,422	21,564
	1,744,532	3,949,593	15,329,540	21,023,665	691,388	764,530
Stock Exchange transactions:						
Interest rate futures	15,708	18,670	-	34,378	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	238,934	50,949	20,901	310,784	1,212	3,492
Currency Swaps	2,793,608	44,403	9,718	2,847,729	13,825	10,584
Currency options (purchase)	18,406	11,378	-	29,784	298	-
Currency options (sale)	12,650	12,349	-	24,999	-	310
	3,063,598	119,079	30,619	3,213,296	15,335	14,386
Shares/debt instruments derivatives:						
OTC Market:						
Shares/indexes swaps	151,088	473,499	633,338	1,257,925	13,958	7,154
Shares/indexes options (purchase)	73	-	-	73	-	-
Shares/indexes options (sale)	10,512	-	2,067	12,579	-	-
	161,673	473,499	635,405	1,270,577	13,958	7,154
Stock exchange transactions:						
Shares futures	351,334	-	-	351,334	-	-
Shares/indexes options (purchase)	34,040	439,876	339,450	813,366	105,189	-
Shares/indexes options (sale)	9,628	26,754	91,453	127,835	-	105,250
	395,002	466,630	430,903	1,292,535	105,189	105,250
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	17,629	-	-	17,629	-	-
Credit derivatives:						
OTC Market:						
Credit Default Swaps	237,650	31,750	2,788,351	3,057,751	98,217	29,831
Other credit derivatives (sale)	-	45,400	21,865	67,265	-	-
	237,650	265,472	2,810,216	3,313,338	98,217	29,831
Total financial instruments traded in:						
OTC Market	5,207,453	4,807,643	18,805,780	28,820,876	818,898	815,901
Stock Exchange	428,339	485,300	430,903	1,344,542	105,189	105,250
Embedded derivatives					7	134
	5,635,792	5,292,943	19,236,683	30,165,418	924,094	921,285

The analysis of trading derivatives, by maturity, as at 31 December 2013, is as follows:

	Dec 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 agreements	120,357	-	-	120,357	-	68
Interest rate swaps	1,560,767	2,966,770	15,557,910	20,085,447	626,532	683,534
Interest rate options (purchase)	116,041	15,348	359,597	490,986	3,162	-
Interest rate options (sale)	116,041	15,348	357,686	489,075	-	4,765
Other interest rate contracts	30,500	61,475	152,063	244,038	21,413	21,387
	1,943,706	3,058,941	16,427,256	21,429,903	651,107	709,754
Stock Exchange transactions:						
Interest rate futures	6,585	-	-	6,585	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	316,447	88,484	18,338	423,269	4,606	4,600
Currency swaps	1,866,714	122,566	24,060	2,013,340	8,718	24,307
Currency options (purchase)	8,474	17,753	-	26,227	501	-
Currency options (sale)	8,474	18,031	-	26,505	-	535
	2,200,109	246,834	42,398	2,489,341	13,825	29,442
Shares/debt instruments derivatives:						
OTC Market:						
Shares/indexes swaps	156,290	593,253	48,425	797,968	12,336	4,820
Shares/indexes options (purchase)	111	-	2,067	2,178	-	-
Shares/indexes options (sale)	9,883	-	-	9,883	-	-
Debt instruments forwards	30,000	-	-	30,000	-	-
	196,284	593,253	50,492	840,029	12,336	4,820
Stock Exchange transactions:						
Shares futures	238,553	-	-	238,553	-	-
Shares/indexes options (purchase)	61,575	155,957	336,857	554,389	100,925	-
Shares/indexes options (sale)	5,024	16,278	9,005	30,307	-	100,881
	305,152	172,235	345,862	823,249	100,925	100,881
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	22,714	-	-	22,714	-	-
Credit derivatives:						
OTC Market:						
Credit Default Swaps	21,950	563,100	2,731,474	3,316,524	58,974	23,849
Other credit derivatives (sale)	-	-	24,665	24,665	-	-
	21,950	563,100	2,756,139	3,341,189	58,974	23,849
Total financial instruments traded in:						
OTC Market	4,362,049	4,462,128	19,276,285	28,100,462	736,242	767,865
Stock Exchange	334,451	172,235	345,862	852,548	100,925	100,881
Embedded derivatives					944	784
	4,696,500	4,634,363	19,622,147	28,953,010	838,111	869,530

25. Hedging derivatives

This balance is analysed as follows:

	Jun 2014		Dec 2013	
	Assets Euros '000	Liabilities Euros '000	Assets Euros '000	Liabilities Euros '000
Hedging instruments				
Swaps	80,318	243,834	104,503	243,373
	80,318	243,834	104,503	243,373

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 13 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 positive amount of Euros 6,105,000 (31 December 2013: negative amount of Euros 8,200,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness for the period of a negative amount of Euros 1,210,000 (31 December 2013: negative amount of Euros 2,286,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Hedged item		
Loans	3,865	5,736
Deposits	(29,837)	(21,444)
Debt issued	(140,541)	(143,870)
Financial assets held to maturity	-	1,045
	(166,513)	(158,533)

The analysis of hedging derivatives portfolio, by maturity, as at 30 June 2014, is as follows:

	Jun 2014					
	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	24,031	1,204,582	3,472,724	4,701,337	62,338	48,338
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	793,904	1,509,782	2,538,675	4,842,361	17,615	193,173
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Forward exchange contract	7,408	18,418	-	25,826	365	2,323
Total financial instruments						
Traded by:						
OTC Market	825,343	2,732,782	6,011,399	9,569,524	80,318	243,834

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2013, is as follows:

	Dec 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	132,568	602,069	4,252,090	4,986,727	53,617	67,909
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	730,942	1,706,355	2,799,960	5,237,257	50,324	171,881
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Forward exchange contract	4,900	22,196	13,464	40,560	562	3,583
Total financial instruments						
Traded by:						
OTC Market	868,410	2,330,620	7,065,514	10,264,544	104,503	243,373

26. Financial assets held to maturity

The balance Financial assets held to maturity is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Bonds and other fixed income securities		
Issued by Government and public entities	1,879,530	2,095,199
Issued by other entities	864,493	1,015,131
	2,744,023	3,110,330

The balance Bonds and other fixed income securities - Issued by Government and public entities included as at 31 December 2013, the amount of Euros 1,837,108,000 related to European Union countries, in bailout situation, as detailed in note 55.

The balance Financial assets held to maturity also includes, as at 30 June 2014, the amount of Euros 728,676,000 (31 December 2013: Euros 982,456,000) 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 2014, the amount of Euros 497,327,000 (31 December 2013: Euros 514,668,000) 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.

As at 30 June 2014, the Financial assets held to maturity portfolio is analysed as follows:

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by Government and public entities						
OT 3.5 Pct 10/25.03.2015	Portugal	March, 2015	3.500%	73,217	73,845	75,089
OT 4.20% 06/15.10.2016	Portugal	October, 2016	4.200%	135,000	138,117	148,139
OT 4.45 Pct 08/15.06.2018	Portugal	June, 2018	4.450%	1,436,762	1,389,438	1,569,964
OT 4.75 Pct 09/14.06.2019	Portugal	June, 2019	4.750%	10,000	9,795	11,126
OT 4.8 Pct 10/15.06.2020	Portugal	June, 2020	4.800%	150,000	146,882	166,868
OT 4.95 Pct 08/25.10.2023	Portugal	October, 2023	4.950%	50,000	54,235	56,843
Government bonds 01.2016	Romania	January, 2016	5.750%	11,408	12,035	12,239
Government bonds 04.2016	Romania	April, 2016	6.000%	4,563	4,784	4,879
Btps 4.5 Pct 08/01.08.2018 Eur	Italy	August, 2018	4.500%	50,000	50,399	57,507
					1,879,530	2,102,654

(continuation)

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by other entities						
Caixa Geral 3.625 Pct 09/21.07.2014	Portugal	July, 2014	3.625%	35,000	36,208	36,239
Cp Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	75,169	80,817
Edia Sa 07/30.01.2027	Portugal	January, 2027	0.409%	40,000	38,888	28,884
Mbs Tagus Edp Energyon 2 Class A	Portugal	May, 2025	1.788%	82,987	85,579	102,514
Mbs Tagus Edp Energyon Class A1	Portugal	May, 2025	2.138%	334,742	339,245	423,279
Stcp 00/05.06.2022 - 100Mios Call Semest. a Partir 10Cpn-Min.10Mios	Portugal	June, 2022	0.398%	100,000	98,146	80,484
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	50,055	54,284
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	0.782%	97,035	97,067	93,958
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	1.402%	26,300	26,315	15,795
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	2.842%	17,800	17,821	7,346
					864,493	923,600
					2,744,023	3,026,254

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 30 June 2014 is as follows:

	Jun 2014				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	-	73,845	1,537,350	201,116	1,812,311
Foreign issuers	-	-	67,219	-	67,219
Bonds issued by other entities					
Portuguese issuers	36,208	-	-	637,028	673,236
Foreign issuers	-	-	50,054	141,203	191,257
	36,208	73,845	1,654,623	979,347	2,744,023

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2013 is as follows:

	Dec 2013				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	-	-	1,623,721	213,387	1,837,108
Foreign issuers	207,754	-	50,337	-	258,091
Bonds issued by other entities					
Portuguese issuers	-	160,508	-	652,693	813,201
Foreign issuers	-	-	50,972	150,958	201,930
	207,754	160,508	1,725,030	1,017,038	3,110,330

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 2014 Euros '000	Dec 2013 Euros '000
Transport and communications	173,315	171,457
Services	691,178	843,674
	864,493	1,015,131
Government and Public securities	1,879,530	2,095,199
	2,744,023	3,110,330

As part of the management process of the liquidity risk, the Group holds a pool of eligible assets that can be used 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, as mentioned in note 52.

27. Investments in associated companies

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Portuguese credit institutions	28,789	29,273
Foreign credit institutions	28,488	27,094
Other Portuguese companies	379,017	515,307
Other foreign companies	6,929	7,216
	443,223	578,890

The balance Investments in associated companies is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Banque BCP, S.A.S.	26,079	24,710
Banque BCP (Luxembourg), S.A.	2,409	2,384
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	360,212	497,301
SIBS, S.G.P.S, S.A.	16,909	15,457
Unicre - Instituição Financeira de Crédito, S.A.	28,789	29,273
Other	8,825	9,765
	443,223	578,890

These investments correspond to unquoted companies. According to the accounting policy described in note 1 b), these investments are 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 Group. The Group's companies included in the consolidation perimeter are presented in note 58.

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

	Total Assets Euros '000	Total Liabilities Euros '000	Total Income Euros '000	Net income / (loss) for the period Euros '000
Jun 2014				
Banque BCP, S.A.S.	2,267,178	2,136,127	60,148	6,805
Banque BCP (Luxembourg), S.A.	648,848	621,353	8,529	418
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	11,207,804	10,113,160	433,926	41,906
SIBS, S.G.P.S, S.A. (*)	135,425	56,499	80,060	5,381
Unicre - Instituição Financeira de Crédito, S.A. (*)	317,159	227,463	96,746	5,670
VSC - Aluguer de Veículos Sem Condutor, Lda.	4,073	1,772	753	757
Dec 2013				
Banque BCP, S.A.S.	2,077,639	1,953,470	128,947	14,197
Banque BCP (Luxembourg), S.A.	621,718	594,714	16,900	(269)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	11,824,293	10,381,088	870,639	82,896
SIBS, S.G.P.S, S.A.	135,425	56,499	151,863	10,762
Unicre - Instituição Financeira de Crédito, S.A.	317,159	227,463	211,448	9,785
VSC - Aluguer de Veículos Sem Condutor, Lda.	6,701	5,156	5,475	484

(*) - estimated values.

28. Non-current assets held for sale

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Subsidiaries acquired exclusively with the purpose of short-term sale	91,502	48,872
Investments, properties and other assets arising from recovered loans	1,829,775	1,830,254
	1,921,277	1,879,126
Impairment	(350,490)	(372,695)
	1,570,787	1,506,431

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) resolution of leasing contracts.

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 was 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 26,154,000 (31 December 2013: Euros 28,875,000).

On 30 June 2014, the balance Investments, properties and other assets arising from recovered loans includes the amount of Euros 349,000,000 (31 December 2013: Euros 347,000,000) related to properties of Closed Real Estate Investment Funds, whose units were received following foreclosure operations and in accordance with IFRS, were subject to full consolidation method.

As mentioned in note 29, during 2013, a set of Fund's property assets that were previously classified as investment property has been transferred to Non-current assets held for sale, following the redefinition of the value of these assets recovery strategy, which will be perspective be materialized through its sale.

The balance Subsidiaries acquired exclusively with the view of short-term sale corresponds to three 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 changes occurred in impairment for non-current assets held for sale are analysed as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Balance on 1 January	372,695	319,463
Impairment for the period	27,439	62,454
Write-back for the period	(392)	(1,374)
Loans charged-off	(49,353)	(58,586)
Exchange rate differences	56	(289)
Balance on 30 June	350,490	321,668

29. Investment property

The balance Investment property includes the amount of Euros 177,964,000 (31 December 2013: Euros 193,921,000) related to real estate accounted in the "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo de Investimento Imobiliário Fechado Gestimo" and "Imoport - Fundo de Investimento Imobiliário Fechado", which are consolidated under the full consolidation method as referred in the accounting policy presented in note 1 b).

The real estate is evaluated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

During 2013, the change occurred in the caption Investment properties, as mentioned in note 28, included the effect of the transfer of a set funds' property assets to Non-current assets held for sale following the redefinition of the recovery strategy of the value of these assets.

30. Property and equipment

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Land and buildings	1,088,929	1,045,251
Equipment		
Furniture	89,656	89,524
Machines	56,806	56,729
Computer equipment	293,012	294,511
Interior installations	144,263	143,985
Motor vehicles	23,647	22,949
Security equipment	85,654	84,917
Other equipment	33,585	33,526
Work in progress	62,428	107,742
Other tangible assets	468	435
	1,878,448	1,879,569
Accumulated depreciation		
Charge for the period	(24,686)	(52,897)
Accumulated charge for the previous periods	(1,124,959)	(1,094,109)
	(1,149,645)	(1,147,006)
	728,803	732,563

31. Goodwill and intangible assets

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Intangible assets		
Software	111,720	121,628
Other intangible assets	56,190	55,878
	167,910	177,506
Accumulated depreciation		
Charge for the period	(7,130)	(15,226)
Accumulated charge for the previous periods	(125,769)	(125,747)
	(132,899)	(140,973)
	35,011	36,533
Goodwill		
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	18,589	18,609
	230,924	230,944
Impairment		
Others	(16,562)	(16,562)
	(16,562)	(16,562)
	214,362	214,382
	249,373	250,915

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 performed in 2013, 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.

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2018 for the business of Banco de Investimento Imobiliário, S.A. and a set of assumptions related to the estimated future evolution of the businesses of mortgage credit originated in real estate agents network and real estate promotion. Based on this analysis and the expectations of future development, the Group conclude for the absence of impairment.

The Real estate and mortgage business comprises the current Banco de Investimento Imobiliário operations plus the income associated with other portfolios booked in Banco Comercial Português.

The business plan and estimates for such business unit comprises a five-year period, from 2014 to 2018, considering, along this period, a compound annual growth rate of -8.6% for Total Assets and of -3.6% for the Allocated Capital and an average ROE evolution from 12.9% to 23.7% by the end of the period.

The Cost of Equity considered was 12.125% for the period 2014-18 and 11.225% in perpetuity.

An average exit multiple of 2.16x was considered in relation to 2018 Allocated Capital, applied to the group of businesses associated with Real estate and mortgage business.

32. Income Tax

Deferred income tax assets and liabilities generated by tax losses and by temporary differences are analysed as follows:

	Jun 2014			Dec 2013		
	Assets Euros '000	Liabilities Euros '000	Net Euros '000	Assets Euros '000	Liabilities Euros '000	Net Euros '000
Intangible assets	46	-	46	58	-	58
Other tangible assets	7,977	4,121	3,856	7,448	4,232	3,216
Impairment losses	1,055,513	3,401	1,052,112	1,090,690	2,132	1,088,558
Benefits to employees	749,794	-	749,794	795,543	-	795,543
Financial assets available for sale	7,142	47,913	(40,771)	5,894	36,334	(30,440)
Derivatives	-	1,317	(1,317)	-	1,311	(1,311)
Allocation of profits	72,947	-	72,947	76,937	-	76,937
Tax losses carried forward	356,633	-	356,633	256,241	-	256,241
Others	37,728	43,980	(6,252)	29,897	43,595	(13,698)
Total deferred taxes	2,287,780	100,732	2,187,048	2,262,708	87,604	2,175,104
Offset between deferred tax assets and deferred tax liabilities	(93,475)	(93,475)	-	(81,303)	(81,303)	-
Net deferred taxes	2,194,305	7,257	2,187,048	2,181,405	6,301	2,175,104

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantively approved 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.

As a result of the Law n. 2/2014 of 16 January, several amendments were made to the Income Tax Code with impact on deferred taxes calculated on 31 December 2013, which are:

- The reduction of the income tax rate from 25% to 23% and the creation of the state tax rate of 7% applied to the portion of the taxable income greater than Euros 35,000,000;
- Changing in the reporting period of tax losses (calculated in periods beginning on or after 1 January, 2014) from 5 to 12 years;
- The non-taxation of gains taxable and non-tax deduction of losses arising on sale of equity shares, since verified a set of requirements, and full tax deduction of losses arising on investments due to the settlement of companies.

The deferred tax rate is analysed as follows:

Description	Jun 2014	Dec 2013
Income tax (a)	23.0%	23.0%
Municipal surtax rate	1.5%	1.5%
State tax rate	7.0%	7.0%
Total (b)	31.5%	31.5%

(a) - Applicable to deferred taxes related to tax losses;

(b) - Applicable to deferred taxes related to temporary differences

The caption Benefits to employees includes the amount of Euros 460,218,000 (31 December 2013: Euros 490,899,000) 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 44,694,000 (31 December 2013: Euros 46,135,000) related to deferred taxes associated to the charge arising 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 Group).

The expire date of the recognised tax losses carried forward is presented as follows:

Expire date	Jun 2014 Euros '000	Dec 2013 Euros '000
2014	899	1,367
2015	5,373	9,425
2016	1	1
2017	107,406	107,827
2018	125,906	133,281
2019 and following years	117,048	4,340
	356,633	256,241

The Group recognised deferred taxes based on a valuation of their recoverability, considering the expectation of future taxable income. The amount of unrecognised deferred taxes are as follows.

	Jun 2014 Euros '000	Dec 2013 Euros '000
Impairment losses	103,557	108,760
Tax losses carried forward	498,133	386,321
	601,690	495,081

The impact of income taxes in Net (loss) / income and in other captions of Group's equity, as at 30 June 2014, is analysed as follows:

	Jun 2014			
	Net (loss) / income Euros '000	Reserves and retained earnings Euros '000	Exchange differences Euros '000	Discontinued operations Euros '000
Deferred taxes				
Intangible assets	-	-	-	(12)
Other tangible assets	639	(50)	48	3
Impairment losses	(35,486)	1,563	(2,515)	(8)
Benefits to employees	(15,863)	(29,098)	(745)	(43)
Financial assets available for sale	-	(12,302)	2,120	(149)
Allocation of profits	(3,990)	-	-	-
Derivatives	(7)	1,447	(1,446)	-
Tax losses carried forward	107,187	(10,109)	2,887	427
Others	7,838	(728)	328	8
	60,318	(49,277)	677	226
Current taxes				
Actual period	(62,260)	-	-	-
Correction of previous periods	(244)	-	-	-
	(62,504)	-	-	-
	(2,186)	(49,277)	677	226

The impact of income taxes in Net (loss) / income and in other captions of Group's equity, as at 31 December 2013, is analysed as follows:

	Dec 2013			
	Net (loss) / income Euros '000	Reserves and retained earnings Euros '000	Exchange differences Euros '000	Discontinued operations Euros '000
Deferred taxes				
Intangible assets	1	-	-	(1)
Other tangible assets	1,470	-	(43)	6
Impairment losses	347,932	-	(1,858)	(27,941)
Benefits to employees	26,568	204,552	(228)	(1,265)
Financial assets available for sale	-	(2,666)	158	195
Allocation of profits	8,303	-	-	-
Derivatives	1,399	-	74	-
Tax losses carried forward	(118,333)	(21,337)	711	(53,481)
Others	59,094	(506)	600	(843)
	326,434	180,043	(586)	(83,330)
Current taxes				
Actual period	(78,288)	-	-	-
Correction of previous periods	(37,347)	-	-	-
	(115,635)	-	-	-
	210,799	180,043	(586)	(83,330)

The reconciliation of the effective tax rate, arising from the permanent effects, is analysed as follows:

	Jun 2014		Jun 2013	
	%	Euros '000	%	Euros '000
Net loss before income taxes		26,140		(529,861)
Current tax rate	31.5%	(8,234)	29.0%	153,660
Foreign tax rate effect and difference in municipal surtax rate	-90.3%	23,613	0.7%	3,641
Accruals for the purpose of calculating the taxable income (i)	72.5%	(18,948)	-11.3%	(59,726)
Deductions for the purpose of calculating the taxable income (ii)	-162.1%	42,369	8.1%	42,936
Fiscal incentives not recognised in profit / loss accounts	-2.3%	611	0.7%	3,648
Effect of tax losses not recognised previously (iii)	-26.7%	6,967	1.2%	6,321
Effect of change in rate of deferred tax (iv)	171.6%	(44,846)	-3.8%	(20,068)
Correction of previous periods	8.8%	(2,291)	0.1%	327
(Autonomous tax) / tax credits	5.5%	(1,427)	-0.2%	(904)
	8.5%	(2,186)	24.5%	129,835

References:

(i) Refers, essentially, to the tax associated with the additions of impairment losses not deductible for tax purposes, unpaid dividends, annulled for consolidation purposes;

(ii) This is mainly associated with the tax deductions of net income of non-resident companies and net income of associated companies consolidated under the equity method, of capital gains on sale of investments and reduction of taxable impairment;

(iii) Corresponds, essentially, to the recognition of deferred tax assets associated with impairment of investments intended to be settled, net of annulment of deferred tax assets associated with impairment of investments not intended to settlement and to the cancellation or non-recognition of deferred tax assets related to tax losses which are not estimated that will be used within the reporting date;

(iv) Refers to the effect of increasing the maximum state tax rate net of the effect of reducing the income tax rate in deferred taxes and to the difference of deferred tax rate associated to tax losses.

33. Other assets

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Debtors	210,896	192,744
Supplementary capital contributions	133,453	132,348
Amounts due for collection	17,866	22,284
Recoverable tax	18,867	20,372
Recoverable government subsidies on interest on mortgage loans	11,823	10,546
Associated companies	353	1,679
Interest and other amounts receivable	49,373	38,095
Prepayments and deferred costs	47,930	22,188
Amounts receivable on trading activity	130,499	6,486
Amounts due from customers	242,714	147,524
Reinsurance technical provision	4,635	2,690
Sundry assets	288,937	163,072
	1,157,346	760,028
Impairment for other assets	(168,245)	(166,667)
	989,101	593,361

As referred in note 56, the balance Supplementary capital contributions includes the amount of Euros 126,532,000 (31 December 2013: Euros 125,477,000) and the balance Sundry assets includes the amount of Euros 10,805,000 (31 December 2013: Euros 10,805,000), related to the junior securities arising from the sale of loans and advances to costumers to specialized recovery funds which are fully provided.

The changes occurred in impairment for other assets are analysed as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Balance on 1 January	166,667	160,046
Transfers resulting from changes in the Group's structure	-	(1,387)
Other transfers	1,042	535
Impairment for the period	3,249	7,906
Write back for the period	-	(1,336)
Amounts charged-off	(2,229)	-
Exchange rate differences	(484)	21
Balance on 30 June	168,245	165,785

34. Deposits from credit institutions

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Central Banks	9,249,535	11,191,067
Credit institutions in Portugal	361,144	107,098
Credit institutions abroad	3,469,601	2,194,371
	13,080,280	13,492,536

Following the signed agreements of derivative financial transactions with institutional counterparties and according to the signed agreements, the Group has, as at 30 June 2014, the amount of Euros 101,971,000 (31 December 2013: 89,261,000) regarding deposits from other credit institutions received as collateral of the mentioned transactions.

35. Deposits from customers

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Deposits from customers:		
Repayable on demand	15,951,037	15,315,697
Term deposits	29,986,668	31,165,233
Saving accounts	1,236,525	1,462,644
Structured deposits	1,152,911	675,007
Treasury bills and other assets sold under repurchase agreement	87,279	16,484
Others	392,421	324,687
	48,806,841	48,959,752

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.

The caption Deposits from customers - Deposits at fair value through profit and loss is 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 13, these instruments are classified in level 2. These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 30 June 2014, a loss in the amount of Euros 4,418,000 was recognised (31 December 2013: gain of Euros 1,451,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The nominal amount of the caption Deposits from customers - Deposits at fair value through profit and loss amounts to Euros 1,145,230,000 (31 December 2013: Euros 672,377,000).

36. Debt securities issued

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Debt securities at amortized cost		
Bonds	2,645,827	2,608,342
Covered bonds	2,234,841	2,184,569
MTNs	2,113,220	3,384,542
Securitizations	509,604	540,442
	7,503,492	8,717,895
Accruals	96,206	97,706
	7,599,698	8,815,601
Debt securities at fair value through profit and loss		
Bonds	117,454	109,414
MTNs	171,014	170,708
	288,468	280,122
Accruals	325	3,479
	288,793	283,601
Certificates	426,453	312,025
	8,314,944	9,411,227

The securities in caption Debt securities at fair value through profit and 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 13, these instruments are classified in level 2. These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 30 June 2014, a gain in the amount of Euros 1,119,000 was recognised (31 December 2013: loss of Euros 6,446,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

37. Financial liabilities held for trading

The balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
FRA	-	68
Swaps	809,037	757,897
Options	108,622	106,181
Embedded derivatives	134	784
Forwards	3,492	4,600
	921,285	869,530
Level 1	105,250	100,881
Level 2	807,221	760,961
Level 3	8,814	7,688

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

The balance Financial liabilities held for trading includes, as at 30 June 2014, 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 134,000 (31 December 2013: Euros 784,000). This note should be analysed together with note 24.

38. Provisions

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Provision for guarantees and other commitments	227,136	211,765
Technical provision for the insurance activity:		
For direct insurance and reinsurance accepted:		
Unearned premium / reserve	14,826	12,037
Life insurance	49,157	50,587
Bonuses and rebates	2,184	1,594
Other technical provisions	10,582	9,960
Other provisions for liabilities and charges	111,996	80,017
	415,881	365,960

Changes in Provision for guarantees and other commitments are analysed as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Balance on 1 January	211,765	107,470
Transfers resulting from changes in the Group's structure	-	(7,710)
Other transfers	-	2,348
Charge for the period	24,587	58,101
Write-back for the period	(9,014)	(6,873)
Exchange rate differences	(202)	(439)
Balance on 30 June	227,136	152,897

Changes in Other provisions for liabilities and charges are analysed as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Balance on 1 January	80,017	66,953
Transfers resulting from changes in the Group's structure	-	(1,075)
Other transfers	5,282	678
Charge for the period	30,155	103,086
Write-back for the period	(1,199)	(940)
Amounts charged-off	(2,252)	(1,552)
Exchange rate differences	(7)	(270)
Balance on 30 June	111,996	166,880

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.

39. Subordinated debt

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Bonds		
Non Perpetual Bonds	1,233,162	1,221,541
Perpetual Bonds	28,353	28,202
CoCos	2,650,173	3,024,642
	3,911,688	4,274,385
Accruals	17,081	86,953
	3,928,769	4,361,338

The caption Subordinated debt - CoCos corresponds to hybrids subordinated debt instruments that qualify as Core Tier I Capital, issued on 29 June 2012, by Banco Comercial Português, S.A. and fully subscribed by the Portuguese State. These 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 converted 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. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability, according to 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.

Banco Comercial Português, S.A. repaid, in May 2014, as referred in note 47, Euros 400,000,000 of core tier I capital instruments (CoCos) issued by the Portuguese State, after having received the authorization from the Bank of Portugal, based on the regulator’s analysis of the evolution of BCP’s capital ratios.

As at 30 June 2014, 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)	70,727	70,727
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020	See reference (ii)	87,178	88,827
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020	See reference (iii)	53,298	55,132
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.750%	114,000	114,000
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.750%	64,100	64,100
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.750%	35,000	35,000
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	8,159
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	49,510
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	38,066
Bcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	23,992
Mill Bcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	12,050
Mbcp Subord Feb2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	21,010
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	46,912
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	22,848
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate of 9.000%	26,250	23,087
Bank Millennium:					
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2%	150,148	150,148
Banco de Investimento Imobiliário:					
BII Ob. Cx. Sub. 2004/2014	December, 2004	December, 2014	See reference (iv)	15,000	14,997
BCP Finance Bank:					
BCP Fin Bank Ltd EMTN - 295	December, 2006	December, 2016	See reference (v)	71,209	71,194
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate of 13.000%	98,850	71,919
Magellan No. 3:					
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44
					1,233,162
Perpetual Bonds					
Obrigações Caixa Perpétuas Subord 2002/19jun2012	June, 2002	-	See reference (vi)	89	56
TOPS BPSM 1997	December, 1997	-	Euribor 6M + 0.900%	22,643	23,047
BCP Leasing 2001	December, 2001	-	Euribor 3M + 1.750%	5,250	5,250
					28,353
CoCos					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (vii)	2,600,000	2,650,173
					2,650,173
Accruals					17,081
					3,928,769

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) - Until 10th coupon Euribor 6M + 0.400%; After 10th coupon Euribor 6M + 0.900%;
(v) - Euribor 3M + 0.300% (0.800% after December 2011);
(vi) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.400%;
(vii) - 1st year: 8.500%; 2nd year 8.750%; 3rd year 9.000%; 4th year 9.500%; 5th year 10.000%.

40. Other liabilities

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Creditors:		
Suppliers	33,524	38,389
From factoring operations	6,205	9,052
Associated companies	4	582
Other creditors	291,325	371,231
Public sector	64,318	65,326
Interests and other amounts payable	105,593	101,244
Deferred income	6,649	6,506
Holiday pay and subsidies	64,655	67,800
Other administrative costs payable	1,291	2,341
Amounts payable on trading activity	210,575	6,848
Other liabilities	558,665	327,205
	1,342,804	996,524

The balance Creditors - Other creditors includes the amount of Euros 4,176,000 (31 December 2013: Euros 4,176,000), 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 49, the above mentioned obligations are not covered by the Pension Fund, and therefore correspond to amounts payable by the Group.

As at 30 June 2014, the balance Other liabilities includes the amount of Euros 80,754,000 (31 December 2013: Euros 98,838,000) related to a restructuring provision, related to the resizing program agreed with the European Commission.

The balance Creditors - Other creditors also includes, Euros 49,792,000 (31 December 2013: Euros 49,412,000) related with the seniority premium, as described in note 49.

41. Share capital, preference shares and other capital instruments

The share capital of the Bank, amounts to Euros 1,465,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid.

In accordance with the Shareholders General Meeting in 30 May of 2014, the bank reduced the share capital from Euros 3,500,000,000 to Euros 1,465,000,000, without changing the number of shares without nominal value at this date, being the reduction of Euros 2,035,000,000 to cover losses on the separate financial statements of the Bank occurred in the year 2013.

The preference shares includes two issues by BCP Finance Company Ltd which considering the rules established in IAS 32 and in accordance with the accounting policy presented in note 1 h), were considered as equity instruments. The issues are analysed as follows:

- 5,000,000 Perpetual Non-cumulative Guaranteed Non-voting Preference Shares with par value of Euros 100 each, issued on 9 June, 2004, amounting to Euros 500,000,000, issued to redeem the 8,000,000 Non-cumulative Guaranteed Non-voting Preference Shares, with par value of Euros 50 each, issued by BCP Finance Company on 14 June, 1999, amounting to Euros 400,000,000.

- 10,000 preference shares with par value of Euros 50,000 perpetual each without voting rights issued on 13 October 2005, in the amount of Euros 500,000,000, to redeem the 6,000,000 preference shares, of Euros 100 each, without voting rights, in the amount of Euros 600,000,000, issued by BCP Finance Company on 28 September 2000.

Within the scope of the exchange offer, the majority of the preference shares were exchanged for new debt instruments in October 2011. The amount not exchanged amounts to Euros 171,175,000.

The other capital instruments includes three issues of perpetual subordinated debt securities analysed as follows:

- In June 2009, the Bank issued Euros 300,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

- In August 2009, the Bank issued Euros 600,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

- In December 2009, the Bank issued Euros 100,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

These issues were exchanged within the scope of the public change offering of perpetual subordinated securities for ordinary shares, performed in 2011. The amount not exchanged amounted to Euros 9,853,000.

42. 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 30 May 2014, the Bank maintained its legal reserve in the amount of Euros 193,270,000.

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.

43. Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Actuarial losses (net of taxes)	(1,884,730)	(1,877,291)
Exchange differences arising on consolidation	(128,286)	(120,132)
Fair value reserves		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	280,865	113,461
Loans represented by securities (*)	(23)	(25)
Financial assets held to maturity (*)	5,324	5,503
Of associated companies and others	(948)	(39,340)
Cash-flow hedge	(25,101)	(25,141)
	260,117	54,458
Tax		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	(75,695)	(35,186)
Loans represented by securities	7	8
Financial assets held to maturity	(1,677)	(1,733)
Cash-flow hedge	4,769	4,764
	(72,596)	(32,147)
Fair value reserve net of taxes	187,521	22,311
	(1,825,495)	(1,975,112)
Other reserves and retained earnings:		
Legal reserve	193,270	193,270
Statutory reserve	30,000	30,000
Other reserves and retained earnings	2,880,409	1,585,859
Other reserves arising on consolidation	(169,137)	(168,643)
	2,934,542	1,640,486

(*) Refers to the amount not accrued the fair value reserve at the date of reclassification for securities subject to reclassification (as referred in note 24).

The changes occurred in legal reserve are analysed in note 42. 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 to the bank's by-laws can be distributed.

The reconciliation between amortised cost and fair value of Financial assets available for sale, is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Amortised cost	10,380,135	9,361,096
Accumulated impairment recognised	(178,784)	(146,610)
Amortised cost net of impairment	10,201,351	9,214,486
Potential gains and losses recognised in fair value reserves	280,865	113,461
Fair value hedge adjustments (*)	7,908	(827)
Market value	10,490,124	9,327,120

(*) - The adjustments of the Financial assets available for sale portfolio related to the fair value hedge are accounted on the income statement.

The changes occurred, during the first semester of 2014, 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:

	2014				
	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	(44,463)	43,652	-	(6,174)	(6,985)
Portuguese public debt securities	89,412	205,095	-	(114,021)	180,486
Other investments	34,650	44,435	39,129	(6,497)	111,717
	79,599	293,182	39,129	(126,692)	285,218

The changes occurred during 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:

	2013				
	Balance on 1 January Euros '000	Revaluation Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 31 December Euros '000
Millenniumbcp Ageas	(74,133)	29,670	-	-	(44,463)
Portuguese public debt securities	129,519	21,713	-	(61,820)	89,412
Other investments	13,491	41,211	102,193	(122,245)	34,650
	68,877	92,594	102,193	(184,065)	79,599

44. Treasury stock

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares		Other treasury stock	Total
Jun 2014				
Net book value (Euros '000)	19,271		13,484	32,755
Number of securities	100,944,752	(*)		
Average book value (Euros)	0.19			
Dec 2013				
Net book value (Euros '000)	12,757		9,988	22,745
Number of securities	76,664,387	(*)		
Average book value (Euros)	0.17			

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 2014, this balance includes 100,944,752 shares (31 December 2013: 76,664,387 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.

45. Non-controlling interests

The balance Non-controlling interests is analysed as follows:

	Balance Sheet		Income Statement	
	Jun 2014	Dec 2013	Jun 2014	Jun 2013
	Euros '000	Euros '000	Euros '000	Euros '000
Bank Millennium, S.A.	450,911	445,219	26,415	20,906
BIM - Banco Internacional de Moçambique, SA	127,887	128,099	14,373	13,892
Banco Millennium Angola, S.A.	135,697	123,528	11,518	9,130
Other subsidiaries	(3,957)	(4,245)	290	59
	710,538	692,601	52,596	43,987

This balance is analysed as follows:

	Jun 2014	Dec 2013
	Euros '000	Euros '000
Exchange differences arising on consolidation	(23,118)	(18,577)
Fair value reserves	(6,943)	(7,927)
Deferred taxes	609	648
	(29,452)	(25,856)
Other reserves and retained earnings	739,990	718,457
	710,538	692,601

46. Guarantees and other commitments

This balance is analysed as follows:

	Jun 2014	Dec 2013
	Euros '000	Euros '000
Guarantees granted	5,293,441	5,528,090
Guarantees received	30,828,617	29,292,448
Commitments to third parties	7,428,505	8,003,594
Commitments from third parties	13,118,341	14,043,416
Securities and other items held for safekeeping on behalf of customers	119,753,533	109,426,379
Securities and other items held under custody by the Securities Depository Authority	130,731,617	129,517,608
Other off balance sheet accounts	139,710,547	148,832,584

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

	Jun 2014	Dec 2013
	Euros '000	Euros '000
Guarantees granted:		
Guarantees	4,088,003	4,309,714
Stand-by letter of credit	66,552	81,876
Open documentary credits	338,567	291,701
Bails and indemnities	800,319	844,799
	5,293,441	5,528,090
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	6,842	50,111
Irrevocable credit lines	2,089,670	2,296,632
Other irrevocable commitments	263,073	308,622
Revocable commitments		
Revocable credit lines	3,728,273	3,996,579
Bank overdraft facilities	1,123,908	1,184,706
Other revocable commitments	216,739	166,944
	7,428,505	8,003,594

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 to 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 since 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.

47. Relevant events occurred during the first semester 2014

Annual General Meeting on 30 May, 2014

On 30 May, 2014, the Annual General Meeting of the Bank was held with 45.48% of the share capital represented. In this meeting the following resolutions were taken: (i) Approval of the separate and consolidated annual report, balance sheet and financial statements of 2013; (ii) Approval of the proposal to transfer the losses recorded in the 2013 separate balance sheet to Retained Earnings; (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 reducing the number of members of the Remuneration and Welfare Board in the 2014/2016 term-of-office to 4; (v) Approval of the proposal for reducing the number of members of the Board of Directors from 22 to 20; (vi) Approval of the current members of the Board of the General Meeting of Shareholders for the exercise of functions during the term of office 2014/2016; (vii) Approval of the election as Effective and Alternate Statutory Auditor of the Bank to exercise functions during the term of the office 2014/2016; (viii) Approval of the election as External Auditor of the Bank to exercise functions during term of the office 2014/2016; (ix) Approval of the remuneration policy for the members of the Board of Directors, including the Executive Committee; (x) Approval of the reformulation the items of own capital by reducing the share capital; (xi) Approval of the acquisition and sale of own shares and bonds.

Decrease of the share capital

Pursuant to the resolutions adopted at the Annual General Meeting of the Bank held on 30 May, 2014, the Bank registered the new share capital of Euros 1,465,000,000, represented by 19,707,167,060 nominative, book-entry shares without nominal value.

Reimbursement to the Portuguese State of Euros 400,000,000 of CoCos

On May 2014, Banco Comercial Português, S.A. repaid Euros 400,000,000 of core tier I capital instruments (CoCos) issued by the Portuguese State, after having received the authorization from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios

Sale of its 49% in the Non-Life Insurance Business

As part of a process aiming to refocus on core activities, defined as a priority in its Strategic Plan, BCP announces that it has agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e., "Ocidental – Companhia Portuguesa de Seguros, S.A." and "Médis – Companhia Portuguesa de Seguros de Saúde, S.A.", for a base price of Euros 122,500,000, subject to a medium term performance adjustment. In 2013, the Non-Life activity posted gross inflows of Euros 251,000,000 and a net profit of Euros 12,000,000.

The partners (Ageas and BCP) have also agreed that the joint venture will upstream excess capital totalling Euros 290,000,000 in 2014 to its shareholders.

As referred in note 17, this sale generated a gain in the amount of Euros 69,396,000, on a consolidated basis.

Banco Comercial Português informs on a new synthetic securitization transaction

Banco Comercial Português, S.A. ("BCP") completed in June 2014, the execution of a new securitisation transaction ("Caravela SME No. 4") concerning a pool of leasing contracts to companies and sole-partnerships, amounting to Euros 1,000,000,000.

Banco Comercial Português, S.A. informs about the senior unsecured debt issue

In February 2014, Banco Comercial Português, S.A. placed a senior unsecured debt issue under its Euro Medium Term Note Program. The issue, in the amount of Euros 500,000,000, has a term of 3 years and a coupon of 3.375% per annum.

48. 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 to 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 0.15% as at 30 June 2014 (31 December 2013: 0.25%).

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 2014, the average discount rate was 2.30% for loans and advances and 0.36% for deposits. As at 31 December 2013 the rates were 2.95% and 1.42%, respectively.

Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives) and Financial assets available for sale

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 first semester of the year. The average discount rate was 5.06% as at 30 June 2014 and 5.50% as at 31 December 2013. 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 first semester of the year. As at 30 June 2014, the average discount rate was 2.47% and as at 31 December 2013 was 2.49%.

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 Euros and used in the calculation of the fair value of own securities was 6.67% (31 December, 2013: 8.99%) for subordinated debt placed on the institutional market. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 6.82% (31 December, 2013: 8.25%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 1.16% (31 December 2013: 3.43%) and 2.61% (31 December, 2013: 3.88%) 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 2014 is a positive amount of Euros 140,042,000 (31 December 2013: a negative amount of Euros 48,271,000), and includes a receivable amount of Euros 127,000 (31 December 2013: a receivable amount of Euros 160,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 30 June 2014, 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	0.01%	0.15%	0.45%	2.50%
7 days	0.01%	0.16%	0.45%	2.50%
1 month	0.04%	0.16%	0.45%	2.51%
2 months	0.11%	0.23%	0.51%	2.54%
3 months	0.17%	0.29%	0.59%	2.58%
6 months	0.26%	0.40%	0.75%	2.59%
9 months	0.35%	0.51%	0.95%	2.62%
1 year	0.29%	0.28%	1.15%	2.46%
2 years	0.31%	0.57%	1.33%	2.51%
3 years	0.39%	0.98%	1.70%	2.64%
5 years	0.66%	1.68%	2.17%	2.94%
7 years	0.99%	2.15%	2.47%	3.17%
10 years	1.44%	2.60%	2.78%	3.36%
15 years	1.90%	3.00%	3.06%	3.54%
20 years	2.09%	3.18%	3.20%	3.55%
30 years	2.18%	3.29%	3.25%	3.84%

The following table shows the fair value of financial assets and liabilities of the Group, as at 30 June 2014:

	Jun 2014				
	Fair value through 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	-	-	1,927,947	1,927,947	1,927,947
Loans and advances to credit institutions					
Repayable on demand	-	-	720,556	720,556	720,556
Other loans and advances	-	-	1,012,571	1,012,571	1,012,806
Loans and advances to customers	-	-	55,547,340	55,547,340	52,839,028
Financial assets held for trading	1,446,531	-	-	1,446,531	1,446,531
Financial assets available for sale	-	10,490,124	-	10,490,124	10,490,124
Assets with repurchase agreement	-	-	76,748	76,748	76,748
Hedging derivatives	80,318	-	-	80,318	80,318
Held to maturity financial assets	-	-	2,744,023	2,744,023	3,026,254
	1,526,849	10,490,124	62,029,185	74,046,158	71,620,312
Deposits from credit institutions	-	-	13,080,280	13,080,280	13,076,704
Amounts owed to customers	1,152,911	-	47,653,930	48,806,841	48,859,522
Debt securities	715,246	-	7,599,698	8,314,944	8,454,986
Financial liabilities held for trading	921,285	-	-	921,285	921,285
Hedging derivatives	243,834	-	-	243,834	243,834
Subordinated debt	-	-	3,928,769	3,928,769	4,221,743
	3,033,276	-	72,262,677	75,295,953	75,778,074

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2013:

	Dec 2013				
	Fair value through 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	-	-	2,939,663	2,939,663	2,939,663
Loans and advances to credit institutions					
Repayable on demand	-	-	1,054,030	1,054,030	1,054,030
Other loans and advances	-	-	1,240,628	1,240,628	1,240,468
Loans and advances to customers	-	-	56,802,197	56,802,197	54,029,633
Financial assets held for trading	1,290,079	-	-	1,290,079	1,290,079
Financial assets available for sale	-	9,327,120	-	9,327,120	9,327,120
Assets with repurchase agreement	-	-	58,268	58,268	58,268
Hedging derivatives	104,503	-	-	104,503	104,503
Held to maturity financial assets	-	-	3,110,330	3,110,330	3,119,676
	1,394,582	9,327,120	65,205,116	75,926,818	73,163,440
Deposits from credit institutions	-	-	13,492,536	13,492,536	13,482,916
Amounts owed to customers	675,007	-	48,284,745	48,959,752	48,966,808
Debt securities	595,626	-	8,815,601	9,411,227	9,362,956
Financial liabilities held for trading	869,530	-	-	869,530	869,530
Hedging derivatives	243,373	-	-	243,373	243,373
Subordinated debt	-	-	4,361,338	4,361,338	4,659,969
	2,383,536	-	74,954,220	77,337,756	77,585,552

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 30 June 2014:

	Jun 2014				
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Financial instruments at cost Euros '000	Total Euros '000
Cash and deposits at Central Banks	1,927,947	-	-	-	1,927,947
Loans and advances to credit institutions					
Repayable on demand	720,556	-	-	-	720,556
Other loans and advances	-	-	1,012,806	-	1,012,806
Loans and advances to customers	-	-	52,839,028	-	52,839,028
Financial assets held for trading	607,276	751,722	77,182	10,351	1,446,531
Financial assets available for sale	6,242,177	2,905,511	1,255,299	87,137	10,490,124
Assets with repurchase agreement	-	-	-	76,748	76,748
Hedging derivatives	-	80,318	-	-	80,318
Held to maturity financial assets	2,085,536	940,718	-	-	3,026,254
	11,583,492	4,678,269	55,184,315	174,236	71,620,312
Deposits from credit institutions	-	-	13,076,704	-	13,076,704
Amounts owed to customers	-	-	48,859,522	-	48,859,522
Debt securities	426,453	8,028,533	-	-	8,454,986
Financial liabilities held for trading	105,250	807,221	8,814	-	921,285
Hedging derivatives	-	243,834	-	-	243,834
Subordinated debt	-	4,221,743	-	-	4,221,743
	531,703	13,301,331	61,945,040	-	75,778,074

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2013:

	Dec 2013				
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Financial instruments at cost Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	2,939,663	-	-	-	2,939,663
Loans and advances to credit institutions					
Repayable on demand	1,054,030	-	-	-	1,054,030
Other loans and advances	-	-	1,240,468	-	1,240,468
Loans and advances to customers	-	-	54,029,633	-	54,029,633
Financial assets held for trading	542,475	700,184	37,009	10,411	1,290,079
Financial assets available for sale	5,712,999	2,411,089	1,142,350	60,682	9,327,120
Assets with repurchase agreement	-	-	-	58,268	58,268
Hedging derivatives	-	104,503	-	-	104,503
Held to maturity financial assets	2,122,067	997,609	-	-	3,119,676
	12,371,234	4,213,385	56,449,460	129,361	73,163,440
Deposits from credit institutions	-	-	13,482,916	-	13,482,916
Amounts owed to customers	-	-	48,966,808	-	48,966,808
Debt securities	312,025	9,050,931	-	-	9,362,956
Financial liabilities held for trading	-	861,842	7,688	-	869,530
Hedging derivatives	-	243,373	-	-	243,373
Subordinated debt	-	4,659,969	-	-	4,659,969
	312,025	14,816,115	62,457,412	-	77,585,552

The Group uses the following hierarchy for fair value with 3 levels in the valuation of financial instruments (assets or liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IFRS 13:

- Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market of the instrument, or most advantageous market for which there is access.

- Level 2: Fair value is determined based on valuation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument.

- Level 3: Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use to evaluate the same instruments, including assumptions about the inherent risks, the valuation technique used and inputs used and review processes to test the accuracy of the values obtained.

The Group considers an active market for a particular financial instrument at the measurement date, depending on business volumes and liquidity of the transactions made, the relative volatility of the prices quoted and the readiness and availability of information, the following minimum conditions should verify:

- Existence of frequent daily prices trading in the last year;
- The above quotations are exchanged regularly;
- There executable quotes from more than one entity.

A parameter used in a valuation technique is considered observable in the market, if the following conditions are met:

- If its value is determined in an active market;
- Or, if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes;
- Or, the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the preceding paragraphs.

49. 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 was 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 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.

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 2014	Dec 2013
Number of participants		
Pensioners	16,159	16,100
Employees	8,616	8,871
	24,775	24,971

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 2014 Euros '000	Dec 2013 Euros '000
Projected benefit obligations		
Pensioners	1,587,294	1,485,361
Employees	1,172,158	1,047,874
	2,759,452	2,533,235
Pension Fund Value	(2,786,025)	(2,547,275)
Net (Assets) / Liabilities in balance sheet	(26,573)	(14,040)
Accumulated actuarial losses recognised in Other comprehensive income	2,335,749	2,333,777

The change in the projected benefit obligations is analysed as follows:

	Jun 2014			Dec 2013
	Pension benefit obligations Euros '000	Extra-Fund Euros '000	Total Euros '000	Total Euros '000
Balance as at 1 January	2,236,786	296,449	2,533,235	2,293,075
Service cost	(3,144)	87	(3,057)	(8,557)
Interest cost / (income)	44,193	5,706	49,899	101,833
Actuarial (gains) and losses				
Not related to changes in actuarial assumptions	(4,332)	(2,821)	(7,153)	9,801
Arising from changes in actuarial assumptions	207,371	14,431	221,802	199,961
Impact resulting from the change in the calculation of the Death Subsidy (Decree-Law no.13/2013)	-	-	-	(7,453)
Payments	(27,979)	(11,063)	(39,042)	(74,628)
Early retirement programmes	(1,095)	(74)	(1,169)	8,748
Contributions of employees	4,937	-	4,937	10,165
Transfer from other plans	-	-	-	290
Balance at the end of the period	2,456,737	302,715	2,759,452	2,533,235

The balance Impact resulting from the change of the calculation of the Death subsidy (Decree-Law n. º 13/2013) corresponded as at 31 December, 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 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 Group accounted the referred impact in results for the year 2013 (Decree-Law n. º 13/2013) .

As at 30 June 2014 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounted to Euros 27,979,000 (31 December 2013: Euros 52,309,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 30 June 2014, to the amount of Euros 298,354,000 (31 December 2013: Euros 279,833,000).

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 2014 amounts to Euros 79,134,000 (31 December 2013: Euros 80,932,000), 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 2014 the number of beneficiaries was 70.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the Group.

The change in the value of plan's assets is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Balance as at 1 January	2,547,275	2,432,146
Expected return on plan assets	48,257	102,531
Actuarial gains and (losses)	212,677	(2,487)
Contributions to the Fund	-	56,233
Payments	(27,979)	(52,309)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	858	706
Employees' contributions	4,937	10,165
Transfer from other plans	-	290
Balance at the end of the period	2,786,025	2,547,275

The elements of the Pension Fund's assets are analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Shares	828,983	681,985
Bonds and other fixed income securities	882,441	740,973
Participations units in investment funds	194,500	230,730
Participation units in real estate funds	277,153	279,973
Properties	311,087	311,213
Loans and advances to credit institutions and others	291,861	302,401
	2,786,025	2,547,275

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 30 June 2014, amounts to Euros 309,672,000 (31 December 2013: Euros 309,797,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Fixed income securities	7	7
Variable income securities	144,766	143,999
	144,773	144,006

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Balance as at 1 January	(14,040)	(139,071)
Recognised in the income statement:		
Service cost	(3,057)	(8,557)
Interest cost / (income)	1,642	(698)
Cost with early retirement programs	(1,169)	8,748
Impact resulting from the change of the calculation formula of the Death Subsidy DL 13/2013 and 133/2012	-	(7,453)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(858)	(706)
Recognised in the statement of comprehensive income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Return of the fund	(212,677)	2,487
Difference between expected and effective obligations	(7,153)	9,801
Arising from changes in actuarial assumptions	221,802	199,961
Contributions to the fund	-	(56,233)
Payments	(11,063)	(22,319)
Balance at the end of the period	(26,573)	(14,040)

As at 30 June 2014, of the balances Cost with early retirement programs and Amount transferred to the fund resulting from acquired rights unassigned related to the Complementary Plan, were recognised Euros 1,802,000 against the restructuring provision, as referred in note 40.

As at 31 December 2013, the Group's companies made contributions in cash to the Pension Fund, in the amount of Euros 56,233,000.

In accordance with IAS 19, the Group accounted as post-employment benefits an income of Euros 1,640,000 (30 June 2013: Euros 7,197,000), which is analysed as follows:

	Jun 2014		
	Continuing operations Euros '000	Discontinued operations Euros '000	Total Euros '000
Service cost	(3,025)	(32)	(3,057)
Net interest cost / (income) in the liability coverage balance	1,642	-	1,642
Costs with early retirement programs	(147)	(78)	(225)
(Income) / Cost of the period	(1,530)	(110)	(1,640)

	Jun 2013		
	Continuing operations Euros '000	Discontinued operations Euros '000	Total Euros '000
Service cost	(4,335)	(34)	(4,369)
Net interest cost / (income) in the liability coverage balance	(657)	(5)	(662)
Costs with early retirement programs	5,925	-	5,925
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(638)	-	(638)
Impact resulting from the change of the calculation formula of the Death Subsidy DL 13/2013 and 133/2012	(7,453)	-	(7,453)
(Income) / Cost of the period	(7,158)	(39)	(7,197)

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 4,176,000 (31 December 2013: Euros 4,176,000).

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities, are analysed as follows:

	Jun 2014	**Dec 2013**
	Euros '000	**Euros '000**
Balance as at 1 January	4,176	4,413
Write-back	-	(237)
Balance at the end of the period	4,176	4,176

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	Jun 2014	**Dec 2013**
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	3.50%	4.00%
Discount rate	3.50%	4.00%
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%	0%
Turnover rate	0%	0%
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 31 December 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, it is presented below the estimated expected return for 2014:

	2014	
Asset class	Portfolio %	Estimated return
Shares	29.76%	8.30%
Bonds and other fixed income securities	31.67%	4.96%
Participations units in investment funds	6.98%	2.25%
Participation units in real estate funds	10.48%	0.56%
Properties	11.17%	6.70%
Loans and advances to credit institutions and others	9.95%	2.56%
Total income expected		5.26%

Net actuarial losses amounts to Euros 1,972,000 (31 December 2013: Net actuarial losses amounts to Euros 212,249,000) 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 2014		Dec 2013	
	Values effectively verified in %	Euros '000	Values effectively verified in %	Euros '000
Deviation between				
expected and actual liabilities:				
Increase in future compensation levels	0.14%	(3,791)	0.76%	(2,705)
Disability	0.09%	2,314	0.18%	4,085
Mortality deviations	0.00%	-	0.18%	4,020
Others	-0.22%	(5,676)	0.19%	4,401
Changes on the assumptions:				
Discount rate	3.50%	221,802	4.00%	199,961
Return on Plan assets	10.97%	(212,677)	4.40%	2,487
		1,972		212,249

The sensitivity analysis to changes in assumptions, in accordance with IAS 19, is as follows

	Impact resulting from changes in financial assumptions			
	Jun 2014		Dec 2013	
	-0.25%	0.25%	-0.25%	0.25%
	Euros '000	Euros '000	Euros '000	Euros '000
Discount rate	112,833	(110,509)	103,218	(101,101)
Pensions increase rate	(112,432)	112,873	(102,403)	102,789
Increase in future compensation levels	(43,467)	45,760	(39,571)	41,657

	Impact resulting from changes in demographic assumptions			
	- 1 year	+ 1 year	- 1 year	+ 1 year
	Euros '000	Euros '000	Euros '000	Euros '000
Mortality Table	(124,729)	72,758	(114,274)	66,745

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%) and a negative variation (from 6.5% to 5.5%) in health benefit costs, which impact is analysed as follows:

	Jun 2014		Dec 2013	
	Euros '000		Euros '000	
	Positive variation of 1% (6.5% to 7.5%)	Negative variation of 1% (6.5% to 5.5%)	Positive variation of 1% (6.5% to 7.5%)	Negative variation of 1% (6.5% to 5.5%)
Pension cost impact	554	(554)	427	(427)
Liability impact	45,901	(45,901)	43,051	(43,051)

The liabilities related to the seniority premium are not covered by the Group's Pension Fund because they are not considered post-employment liabilities. As at 30 June 2014, the liabilities associated with the seniority premium amounted to Euros 49,792,000 (31 December, 2013: Euros 49,412,000) and are covered by provisions in the same amount.

The cost of the seniority premium, for the first semester of 2014 and 2013, is analysed as follows:

	Jun 2014			Jun 2013		
	Continuing operations Euros '000	Discontinued operations Euros '000	Total Euros '000	Continuing operations Euros '000	Discontinued operations Euros '000	Total Euros '000
Service cost	1,282	6	1,288	1,321	7	1,328
Interest costs	1,047	6	1,053	1,055	6	1,061
Actuarial gains and losses	448	4	452	865	31	896
Cost of the period	2,777	16	2,793	3,241	44	3,285

50. 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 2014, loans to members of the Executive Committee of the Board of Directors and their direct family members amounted to Euros 122,000 (31 December 2013: Euros 129,000), which represented 0.01% of shareholders' equity (31 December 2013: 0.01%). These loans were granted in accordance with the applicable laws and regulations.

As at 30 June 2014, 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 31.5% of the share capital (31 December 2013: 31.8%), described in the Executive Board of Directors report, amounted to approximately Euros 634,123,000 (31 December 2013: Euros 673,642,000). 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. The amount of impairment recognised for these contracts amounts to Euros 20,619,000 as at 30 June 2014 (31 December 2013: Euros 19,746,000).

Transactions with the Pension Fund

During the first semester of 2014, the Group purchased from the Pension Fund, Portuguese public debt securities in the amount of Euros 385,000,000 (31 December 2013: Euros 25,000,000). During 2013, the Group also sold to the Pension Fund, Portuguese public debt securities in the amount of Euros 85,000,000.

The shareholder and bondholder position of members of the Executive Board, Top management and persons closely related to the previous categories, is as follows:

Shareholders / Bondholders	Security	Number of securities at		Changes during 2014			
		30/06/2014	31/12/2013	Acquisitions	Disposals	Date	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				
Top management							
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	31,509	31,509				
	Obrig BCP Mill Rend Trim Nov 09/14	5	5				
	Obrig BCP Mill Rend Sem Mar 10/13	0	0				
	Certificado BCP Stoxx Basic Resources	610	610				
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 2014 and 31 December 2013, the Group's credits over associated companies represented or not by securities, included in the captions Loans and advances to customers and Other receivables, are analysed as follows:

	Jun 2014			Dec 2013		
	Loans and advances to CI and customers Euros '000	Other receivables Euros '000	Total Euros '000	Loans and advances to CI and to customers Euros '000	Other receivables Euros '000	Total Euros '000
Millenniumbcp Ageas Group	-	13,415	13,415	-	18,309	18,309
Unicre - Instituição Financeira de Crédito, S.A.	15,163	-	15,163	30,451	-	30,451
VSC - Aluguer de Veículos Sem Condutor, Lda.	986	-	986	7,894	-	7,894
	16,149	13,415	29,564	38,345	18,309	56,654

As at 30 June 2014 and 31 December 2013 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 2014			Dec 2013		
	Deposits from CI and customers Euros '000	Debt securities issued Euros '000	Total Euros '000	Deposits from CI and customers Euros '000	Debt securities issued Euros '000	Total Euros '000
Millenniumbcp Ageas Group	620,055	2,729,533	3,349,588	732,422	3,157,129	3,889,551
SIBS, S.G.P.S, S.A.	7,701	-	7,701	10,181	-	10,181
Unicre - Instituição Financeira de Crédito, S.A.	877	-	877	4,066	-	4,066
	628,633	2,729,533	3,358,166	746,669	3,157,129	3,903,798

As at 30 June 2014, the income recognised by the Group on inter-company transactions with associated companies, included in the captions Interest income, Commissions and Other operating income, are analysed as follows:

	Jun 2014			
	Interest income Euros '000	Commissions income Euros '000	Other operating income Euros '000	Total Euros '000
Millenniumbcp Ageas Group	-	36,621	6,257	42,878
SIBS, S.G.P.S, S.A.	1	40,057	-	40,058
Unicre - Instituição Financeira de Crédito, S.A.	705	534	-	1,239
VSC - Aluguer de Veículos Sem Condutor, Lda.	115	3	61	179
	821	77,215	6,318	84,354

As at 31 December 2013, the income recognised by the Group on inter-company transactions with associated companies, included in the captions Interest income, Commissions and Other operating income, are analysed as follows:

	Jun 2013			
	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 2014, 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:

	Jun 2014				
	Interest expense Euros '000	Commissions expense Euros '000	Staff costs Euros '000	Administrative costs Euros '000	Total Euros '000
Millenniumbcp Ageas Group	53,113	-	1,545	6,408	61,066
SIBS, S.G.P.S, S.A.	22	24,905	-	4,531	29,458
Unicre - Instituição Financeira de Crédito, S.A.	-	1	-	-	1
	53,135	24,906	1,545	10,939	90,525

As at 31 December 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:

	Jun 2013				
	Interest expense Euros '000	Commissions costs 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 2014 and 2013, the remunerations resulting from the services of insurance intermediation or reinsurance are analysed as follows:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Life insurance		
Saving products	16,321	16,598
Mortgage and consumer loans	9,617	9,669
Others	16	16
	25,954	26,283
Non - Life insurance		
Accidents and health	6,675	6,541
Motor insurance	1,226	1,096
Multi-Risk Housing	2,262	2,247
Others	504	519
	10,667	10,403
	36,621	36,686

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiaries of Millenniumbcp Ageas Group (Ocidental Vida and Ocidental Seguros).

The Group 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 Group, other than those already disclosed.

As at 30 June 2014 and 31 December 2013, the receivable balances from insurance intermediation activity, by nature and entity, are analysed as follows:

	Jun 2014 Euros '000	Dec 2013 Euros '000
By nature		
Funds receivable for payment of life insurance commissions	13,121	12,578
Funds receivable for payment of non-life insurance commissions	5,116	5,092
	18,237	17,670
By entity		
Ocidental - Companhia Portuguesa de Seguros de Vida, SA	13,121	12,578
Ocidental - Companhia Portuguesa de Seguros, SA	5,116	5,092
	18,237	17,670

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.

51. Segmental reporting

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the 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.

Following the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp), an additional segment, was considered, non-Core Business Portfolio, respecting the criteria agreed.

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, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

The Foreign Business segment, for the purpose of business segments, comprises the operations outside Portugal, in particular Bank Millennium in Poland, Millennium bim in Mozambique and Banco Millennium Angola. The Foreign Business segment, in terms of geographical segments, comprises the Group operations outside Portugal referred to above, and also Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands.

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 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). In Switzerland the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law.

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, (ii) Specialised Recovery Division, (iii) the activity of the Real Estate Business Division and (iv) Interfundos.

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) Specialised Monitoring Division, (iii) the Investment Banking unit, and (iv) the activity of the Bank's International Division.

The Asset Management and Private Banking segment, for purposes of the business segments, comprises (i) the Private Banking network in Portugal, (ii) Asset Management, (iii) BII Investimentos Internacional and also includes the activities of (iv) Banque Privée BCP and (v) Millennium bcp Bank & Trust. For purposes of the geographical segments excludes Banque Privée BCP and Millennium bcp Bank & Trust that are considered Foreign Business.

Following the process for obtaining authorisation from the European Commission (EC) to the State aid, business portfolios were identified that the Bank should gradually disinvest/demobilise, ceasing grant new credit. This demobilisation is subject to a framework which dominant criteria is the capital impact optimisation, in particular through the minimisation of expected loss.

In this context, the Bank proceeded with the segregation of these portfolios, highlighting them in a separate segment defined as Non Core Business Portfolio (PNNC).

PNNC includes the business with clients for which credit has been granted for securities-backed lending, loans collateralised with other assets (for those which the debt ratio over asset value is not less than 90%), subsidised mortgage loans, construction subcontractors focused almost exclusively on the Portuguese market, football clubs and Real Estate development.

The separate disclosure for those types of loans resulted, exclusively, from the need to identify and monitoring the segments described in the previous paragraph, in the scope of the authorisation process abovementioned. Thus, the PNNC portfolio has not been aggregated based on risk classes or any other performance criteria.

It should be noted that, in 30 June 2014, 74% of this portfolio benefited from asset backed loans, including 67% with real estate collateral and 7% with other assets guarantee.

All other businesses are allocated to the segment Others and include the centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other values not allocated to 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 the 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 III methodology, in accordance with the CRD IV/CRR, with reference to June 2014. The capital allocation for each segment in June 2013 and June 2014, resulted from the application of 10% to the risks managed by each segment on those dates, reflecting the application of methodologies of Basel III in June 2014 and Basel II in June 2013. 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 on the amounts accounted directly in the respective cost centres, and on the other hand, on the amounts resulting from internal cost allocation processes. As an 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.

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 2014.

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 and Millennium bcp Bank & Trust in the Cayman Islands.

Regarding the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) on the Bank’s Restructuring Plan, in particular the sale of Millennium bcp’s operation in Romania in the mid-term and the implementation of a new approach to the assets management business, the activities of Millennium bank in Romania and of Millennium bcp Gestão de Activos were presented on the line item of “income arising from discontinued operations” at 30 June 2013 and at 30 June 2014. At the consolidated balance sheet level, the presentation of assets and liabilities of Millennium bank in Romania and of Millennium bcp Gestão de Activos remained considered as at 30 June 2014 and at 30 June 2013.

Additionally, following the sale of the entire share capital of Millennium bank in Greece, concluded on 19 June 2013, Millennium bank in Greece was classified as a discontinued operation, during 2013, and the results obtained till that date presented on a separate line item in the profit and loss account, defined as “income arising from discontinued operations”.

As at 30 June, 2014, 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**	**Portfolio non core business**	**Other (**)**	**Consolidated**
Income statement										
Interest income	299,421	461,778	761,199	104,253	187,541	291,794	32,619	155,127	108,934	1,349,673
Interest expense	(194,679)	(191,747)	(386,426)	(41,174)	(80,408)	(121,582)	(29,094)	(130,122)	(186,490)	(853,714)
Net interest income	104,742	270,031	374,773	63,079	107,133	170,212	3,525	25,005	(77,556)	495,959
Commissions and other income	166,713	149,209	315,922	31,286	58,027	89,313	29,735	11,458	19,121	465,549
Commissions and other costs	(7,277)	(39,125)	(46,402)	(1,867)	(806)	(2,673)	(2,877)	(300)	(83,123)	(135,375)
Net commissions and other income	159,436	110,084	269,520	29,419	57,221	86,640	26,858	11,158	(64,002)	330,174
Net gains arising from trading activity	7	42,537	42,544	-	-	-	942	-	131,675	175,161
Staff costs and administrative costs	277,609	199,361	476,970	32,574	18,890	51,464	19,190	12,573	(15,311)	544,886
Depreciations	935	15,231	16,166	146	46	192	132	15	15,311	31,816
Operating costs	278,544	214,592	493,136	32,720	18,936	51,656	19,322	12,588	-	576,702
Impairment and provisions	(45,582)	(41,716)	(87,298)	(65,055)	(31,054)	(96,109)	1,399	(157,677)	(145,899)	(485,584)
Share of profit of associates under the equity method	-	-	-	-	-	-	-	-	22,994	22,994
Net gain from the sale of other assets	-	1,659	1,659	-	-	-	-	-	62,479	64,138
Net (loss) / income before income tax	(59,941)	168,003	108,062	(5,277)	114,364	109,087	13,402	(134,102)	(70,309)	26,140
Income tax	18,745	(35,433)	(16,688)	1,794	(36,024)	(34,230)	(2,692)	42,242	9,182	(2,186)
(Loss) / income after income tax from continuing operations	(41,196)	132,570	91,374	(3,483)	78,340	74,857	10,710	(91,860)	(61,127)	23,954
(Loss) / income arising from discontinued operations	-	(34,872)	(34,872)	-	-	-	-	-	1,267	(33,605)
Net (loss) / income after income tax	(41,196)	97,698	56,502	(3,483)	78,340	74,857	10,710	(91,860)	(59,860)	(9,651)
Non-controlling interests	-	(48,058)	(48,058)	-	-	-	-	-	(4,538)	(52,596)
Net (loss) / income after income tax	(41,196)	49,640	8,444	(3,483)	78,340	74,857	10,710	(91,860)	(64,398)	(62,247)
Balance sheet										
Cash and Loans and advances to credit institutions	5,699,981	1,948,030	7,648,011	34,244	2,805,573	2,839,817	2,459,013	4,972	(9,290,739)	3,661,074
Loans and advances to customers	17,881,630	12,761,852	30,643,482	4,802,039	7,493,314	12,295,353	498,279	12,081,808	28,418	55,547,340
Financial assets (***)	202,609	3,205,517	3,408,126	-	-	-	15,866	-	11,337,004	14,760,996
Other assets	173,634	674,576	848,210	13,745	57,677	71,422	20,787	2,191	5,528,418	6,471,028
Total Assets	23,957,854	18,589,975	42,547,829	4,850,028	10,356,564	15,206,592	2,993,945	12,088,971	7,603,101	80,440,438
Deposits from other credit institutions	9,555	2,063,745	2,073,300	2,462,025	1,501,629	3,963,654	253,192	11,089,538	(4,299,404)	13,080,280
Deposits from customers	21,506,990	14,284,295	35,791,285	1,746,339	7,867,388	9,613,727	2,343,867	298,833	759,129	48,806,841
Debt securities issued	1,741,424	414,225	2,155,649	4,704	54	4,758	180,693	4,257	5,969,587	8,314,944
Other financial liabilities	-	382,716	382,716	-	-	-	13,135	-	4,698,037	5,093,888
Other liabilities	15,316	457,040	472,356	12,365	28,632	40,997	9,123	4,989	1,246,409	1,773,874
Total Liabilities	23,273,285	17,602,021	40,875,306	4,225,433	9,397,703	13,623,136	2,800,010	11,397,617	8,373,758	77,069,827
Equity and non-controlling interests	684,569	987,954	1,672,523	624,595	958,861	1,583,456	193,935	691,354	(770,657)	3,370,611
Total Liabilities, Equity and non-controlling interests	23,957,854	18,589,975	42,547,829	4,850,028	10,356,564	15,206,592	2,993,945	12,088,971	7,603,101	80,440,438

(*) Includes the activity of Banca Millennium Romania;
(**) Includes the activity of Millennium bcp Gestão de Activos;
(***) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

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	Portfolio non core business	Other (**)	Consolidated
Income statement										
Interest income	299,120	463,703	762,823	120,449	210,454	330,903	47,942	197,229	98,994	1,437,891
Interest expense	(260,301)	(244,731)	(505,032)	(56,799)	(109,772)	(166,571)	(45,938)	(163,034)	(177,080)	(1,057,655)
Net interest income	38,819	218,972	257,791	63,650	100,682	164,332	2,004	34,195	(78,086)	380,236
Commissions and other income	175,206	145,655	320,861	33,556	56,506	90,062	23,972	14,201	31,040	480,136
Commissions and other costs	(7,342)	(34,968)	(42,310)	(2,123)	(4,328)	(6,451)	(3,664)	(27)	(107,237)	(159,689)
Net commissions and other income	167,864	110,687	278,551	31,433	52,178	83,611	20,308	14,174	(76,197)	320,447
Net gains arising from trading activity	(6)	54,105	54,099	-	-	-	879	-	(1,840)	53,138
Staff costs and administrative costs	295,848	196,290	492,138	33,544	18,912	52,456	17,799	13,379	(13,032)	562,740
Depreciations	990	15,210	16,200	123	51	174	146	21	16,789	33,330
Operating costs	296,838	211,500	508,338	33,667	18,963	52,630	17,945	13,400	3,757	596,070
Impairment and provisions	(50,834)	(37,751)	(88,585)	(120,321)	(141,278)	(261,599)	347	(248,571)	(109,931)	(708,339)
Share of profit of associates under the equity method	-	-	-	-	-	-	-	-	30,643	30,643
Net gain from the sale of other assets	-	6,720	6,720	-	-	-	-	-	(16,636)	(9,916)
Net (loss) / income before income tax	(140,995)	141,233	238	(58,905)	(7,381)	(66,286)	5,593	(213,602)	(255,804)	(529,861)
Income tax	44,186	(28,039)	16,147	18,616	2,325	20,941	409	67,284	25,054	129,835
(Loss) / income after income tax from continuing operations	(96,809)	113,194	16,385	(40,289)	(5,056)	(45,345)	6,002	(146,318)	(230,750)	(400,026)
(Loss) / income arising from discontinued operations	-	(45,046)	(45,046)	-	-	-	-	-	840	(44,206)
Net (loss) / income after income tax	(96,809)	68,148	(28,661)	(40,289)	(5,056)	(45,345)	6,002	(146,318)	(229,910)	(444,232)
Non-controlling interests	-	(40,805)	(40,805)	-	-	-	-	-	(3,182)	(43,987)
Net (loss) / income after income tax	(96,809)	27,343	(69,466)	(40,289)	(5,056)	(45,345)	6,002	(146,318)	(233,092)	(488,219)
Balance sheet										
Cash and Loans and advances to credit institutions	4,759,248	1,815,987	6,575,235	28,784	2,687,586	2,716,370	3,241,899	3,550	(7,997,675)	4,539,379
Loans and advances to customers	18,469,317	11,689,597	30,158,914	5,044,867	8,279,273	13,324,140	576,331	13,436,722	370,097	57,866,204
Financial assets (***)	179,875	3,029,742	3,209,617	-	-	-	21,498	-	11,993,121	15,224,236
Other assets	87,566	701,982	789,548	5,792	25,408	31,200	22,802	669	5,469,538	6,313,757
Total Assets	23,496,006	17,237,308	40,733,314	5,079,443	10,992,267	16,071,710	3,862,530	13,440,941	9,835,081	83,943,576
Deposits from other credit institutions	-	1,983,607	1,983,607	3,066,494	1,389,849	4,456,343	811,247	12,491,186	(5,171,591)	14,570,792
Deposits from customers	20,412,658	13,177,687	33,590,345	1,567,928	8,598,317	10,166,245	2,615,682	226,495	1,285,027	47,883,794
Debt securities issued	2,334,748	203,247	2,537,995	5,541	1,891	7,432	284,948	6,150	7,789,746	10,626,271
Other financial liabilities	-	516,751	516,751	-	-	-	20,105	-	5,347,409	5,884,265
Other liabilities	192,918	344,290	537,208	16,939	35,307	52,246	4,235	-	968,239	1,561,928
Total Liabilities	22,940,324	16,225,582	39,165,906	4,656,902	10,025,364	14,682,266	3,736,217	12,723,831	10,218,830	80,527,050
Equity and non-controlling interests	555,682	1,011,726	1,567,408	422,541	966,903	1,389,444	126,313	717,110	(383,749)	3,416,526
Total Liabilities, Equity and non-controlling interests	23,496,006	17,237,308	40,733,314	5,079,443	10,992,267	16,071,710	3,862,530	13,440,941	9,835,081	83,943,576

(*) Includes the activity of Millennium Bank Greece and Banca Millennium Romania;
(**) Includes the activity of Millennium bcp Gestão de Activos;
(***) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

As at 30 June, 2014, the net contribution of the major geographic segments is analysed as follows:

	Portugal											
	Retail Banking	Companies	Corporate and Investment Banking	Asset Management and Private Banking	Portfolio non core business	Other (*)	Total	Poland	Angola	Mozambique	Other (**)	Consolidated
Income statement												
Interest income	299,421	104,253	187,541	19,205	155,127	108,934	874,481	307,786	57,266	96,726	13,414	1,349,673
Interest expense	(194,679)	(41,174)	(80,408)	(20,182)	(130,122)	(186,490)	(653,055)	(140,945)	(18,303)	(32,500)	(8,911)	(853,714)
Net interest income	104,742	63,079	107,133	(977)	25,005	(77,556)	221,426	166,841	38,963	64,226	4,503	495,959
Commissions and other income	166,713	31,286	58,027	14,573	11,458	19,122	301,179	89,125	20,616	39,468	15,162	465,550
Commissions and other costs	(7,277)	(1,867)	(806)	(102)	(300)	(83,124)	(93,476)	(23,409)	(3,619)	(12,098)	(2,774)	(135,376)
Net commissions and other income	159,436	29,419	57,221	14,471	11,158	(64,002)	207,703	65,716	16,997	27,370	12,388	330,174
Net gains arising from trading activity	7	-	-	-	-	131,675	131,682	22,862	10,541	9,134	942	175,161
Staff costs and administrative costs	277,609	32,574	18,890	8,355	12,573	(15,311)	334,690	125,120	32,718	41,523	10,835	544,886
Depreciations	935	146	46	2	15	15,311	16,455	6,382	3,881	4,968	130	31,816
Operating costs	278,544	32,720	18,936	8,357	12,588	-	351,145	131,502	36,599	46,491	10,965	576,702
Impairment and provisions	(45,582)	(65,055)	(31,054)	232	(157,677)	(145,899)	(445,035)	(33,370)	(3,369)	(4,977)	1,167	(485,584)
Share of profit of associates under the equity method	-	-	-	-	-	22,994	22,994	-	-	-	-	22,994
Net gain from the sale of other assets	-	-	-	-	-	62,479	62,479	1,360	172	127	-	64,138
Net (loss) / income before income tax	(59,941)	(5,277)	114,364	5,369	(134,102)	(70,309)	(149,896)	91,907	26,705	49,389	8,035	26,140
Income tax	18,745	1,794	(36,024)	(1,690)	42,242	9,182	34,249	(21,745)	(4,666)	(9,022)	(1,002)	(2,186)
(Loss) / income after income tax from continuing operations	(41,196)	(3,483)	78,340	3,679	(91,860)	(61,127)	(115,647)	70,162	22,039	40,367	7,033	23,954
(Loss) / income arising from discontinued operations	-	-	-	-	-	1,267	1,267	-	-	-	(34,872)	(33,605)
Net (loss) / income after income tax	(41,196)	(3,483)	78,340	3,679	(91,860)	(59,860)	(114,380)	70,162	22,039	40,367	(27,839)	(9,651)
Non-controlling interests	-	-	-	-	-	(4,538)	(4,538)	(24,199)	(10,417)	(13,442)	-	(52,596)
Net (loss) / income after income tax	(41,196)	(3,483)	78,340	3,679	(91,860)	(64,398)	(118,918)	45,963	11,622	26,925	(27,839)	(62,247)
Balance sheet												
Cash and Loans and advances to credit institutions	5,699,981	34,244	2,805,573	1,394,275	4,972	(9,290,739)	648,306	1,169,306	362,917	334,560	1,145,985	3,661,074
Loans and advances to customers	17,881,630	4,802,039	7,493,314	249,101	12,081,808	28,418	42,536,310	10,406,645	748,759	1,223,924	631,702	55,547,340
Financial assets (***)	202,609	-	-	50	-	11,337,004	11,539,663	2,384,216	415,086	345,580	76,451	14,760,996
Other assets	173,634	13,745	57,677	10,761	2,191	5,528,418	5,786,426	288,996	191,814	167,954	35,838	6,471,028
Total Assets	23,957,854	4,850,028	10,356,564	1,654,187	12,088,971	7,603,101	60,510,705	14,249,163	1,718,576	2,072,018	1,889,976	80,440,438
Deposits from other credit institutions	9,555	2,462,025	1,501,629	388	11,089,538	(4,299,404)	10,763,731	1,430,141	270,154	202,551	413,703	13,080,280
Deposits from customers	21,506,990	1,746,339	7,867,388	1,451,940	298,833	759,129	33,630,619	11,144,028	1,264,717	1,532,112	1,235,365	48,806,841
Debt securities issued	1,741,424	4,704	54	180,693	4,257	5,969,587	7,900,719	390,428	-	23,797	-	8,314,944
Other financial liabilities	-	-	-	-	-	4,698,037	4,698,037	379,332	-	-	16,519	5,093,888
Other liabilities	15,316	12,365	28,632	861	4,989	1,246,409	1,308,572	277,473	51,296	125,847	10,686	1,773,874
Total Liabilities	23,273,285	4,225,433	9,397,703	1,633,882	11,397,617	8,373,758	58,301,678	13,621,402	1,586,167	1,884,307	1,676,273	77,069,827
Equity and non-controlling interests	684,569	624,595	958,861	20,305	691,354	(770,657)	2,209,027	627,761	132,409	187,711	213,703	3,370,611
Total Liabilities, Equity and non-controlling interests	23,957,854	4,850,028	10,356,564	1,654,187	12,088,971	7,603,101	60,510,705	14,249,163	1,718,576	2,072,018	1,889,976	80,440,438

(*) Includes the activity of Millennium bcp Gestão de Activos;
(**) Includes the activity of Banca Millennium Romania;
(***) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

As at 30 June, 2013, the net contribution of the major geographic segments is analysed as follows:

	Portugal											
	Retail Banking	**Companies**	**Corporate and Investment Banking**	**Asset Management and Private Banking**	**Portfolio non core business**	**Other (*)**	**Total**	**Poland**	**Angola**	**Mozambique**	**Other (**)**	**Consolidated**
Income statement												
Interest income	299,120	120,449	210,454	25,784	197,229	98,994	952,030	331,310	44,533	87,861	22,157	1,437,891
Interest expense	(260,301)	(56,799)	(109,772)	(32,620)	(163,034)	(177,080)	(799,606)	(202,248)	(12,477)	(30,006)	(13,318)	(1,057,655)
Net interest income	38,819	63,650	100,682	(6,836)	34,195	(78,086)	152,424	129,062	32,056	57,855	8,839	380,236
Commissions and other income	175,206	33,556	56,506	10,618	14,201	31,039	321,126	88,991	16,407	40,257	13,354	480,135
Commissions and other costs	(7,342)	(2,123)	(4,328)	(729)	(27)	(107,236)	(121,785)	(19,299)	(1,986)	(13,682)	(2,936)	(159,688)
Net commissions and other income	167,864	31,433	52,178	9,889	14,174	(76,197)	199,341	69,692	14,421	26,575	10,418	320,447
Net gains arising from trading activity	(6)	-	-	-	-	(1,840)	(1,846)	28,037	14,931	11,137	879	53,138
Staff costs and administrative costs	295,848	33,544	18,912	7,705	13,379	(13,032)	356,356	123,033	31,658	41,599	10,094	562,740
Depreciations	990	123	51	2	21	16,789	17,976	6,873	3,713	4,624	144	33,330
Operating costs	296,838	33,667	18,963	7,707	13,400	3,757	374,332	129,906	35,371	46,223	10,238	596,070
Impairment and provisions	(50,834)	(120,321)	(141,278)	339	(248,571)	(109,931)	(670,596)	(27,185)	(3,203)	(7,364)	9	(708,339)
Share of profit of associates under the equity method	-	-	-	-	-	30,643	30,643	-	-	-	-	30,643
Net gain from the sale of other assets	-	-	-	-	-	(16,636)	(16,636)	1,121	27	5,572	-	(9,916)
Net (loss) / income before income tax	(140,995)	(58,905)	(7,381)	(4,315)	(213,602)	(255,804)	(681,002)	70,821	22,861	47,552	9,907	(529,861)
Income tax	44,186	18,616	2,325	1,400	67,284	25,054	158,865	(14,409)	(5,392)	(8,239)	(990)	129,835
(Loss) / income after income tax from continuing operations	(96,809)	(40,289)	(5,056)	(2,915)	(146,318)	(230,750)	(522,137)	56,412	17,469	39,313	8,917	(400,026)
(Loss) / income arising from discontinued operations	-	-	-	-	-	840	840	-	-	-	(45,046)	(44,206)
Net (loss) / income after income tax	(96,809)	(40,289)	(5,056)	(2,915)	(146,318)	(229,910)	(521,297)	56,412	17,469	39,313	(36,129)	(444,232)
Non-controlling interests	-	-	-	-	-	(3,182)	(3,182)	(19,457)	(8,257)	(13,091)	-	(43,987)
Net (loss) / income after income tax	(96,809)	(40,289)	(5,056)	(2,915)	(146,318)	(233,092)	(524,479)	36,955	9,212	26,222	(36,129)	(488,219)
Balance sheet												
Cash and Loans and advances to credit institutions	4,759,248	28,784	2,687,586	1,682,769	3,550	(7,997,675)	1,164,262	920,509	394,690	410,786	1,649,132	4,539,379
Loans and advances to customers	18,469,317	5,044,867	8,279,273	267,017	13,436,722	370,097	45,867,293	9,632,441	505,669	1,114,448	746,353	57,866,204
Financial assets (***)	179,875	-	-	50	-	11,993,121	12,173,046	2,274,800	297,403	358,978	120,009	15,224,236
Other assets	87,566	5,792	25,408	4,969	669	5,469,538	5,593,942	322,262	183,768	170,652	43,133	6,313,757
Total Assets	23,496,006	5,079,443	10,992,267	1,954,805	13,440,941	9,835,081	64,798,543	13,150,012	1,381,530	2,054,864	2,558,627	83,943,576
Deposits from other credit institutions	-	3,066,494	1,389,849	722	12,491,186	(5,171,591)	11,776,660	1,327,013	255,986	183,346	1,027,787	14,570,792
Deposits from customers	20,412,658	1,567,928	8,598,317	1,648,157	226,495	1,285,027	33,738,582	10,311,232	970,419	1,544,850	1,318,711	47,883,794
Debt securities issued	2,334,748	5,541	1,891	284,948	6,150	7,789,746	10,423,024	176,896	-	26,351	-	10,626,271
Other financial liabilities	-	-	-	-	-	5,347,409	5,347,409	512,819	-	-	24,037	5,884,265
Other liabilities	192,918	16,939	35,307	912	-	968,239	1,214,315	171,192	39,653	130,223	6,545	1,561,928
Total Liabilities	22,940,324	4,656,902	10,025,364	1,934,739	12,723,831	10,218,830	62,499,990	12,499,152	1,266,058	1,884,770	2,377,080	80,527,050
Equity and non-controlling interests	555,682	422,541	966,903	20,066	717,110	(383,749)	2,298,553	650,860	115,472	170,094	181,547	3,416,526
Total Liabilities, Equity and non-controlling interests	23,496,006	5,079,443	10,992,267	1,954,805	13,440,941	9,835,081	64,798,543	13,150,012	1,381,530	2,054,864	2,558,627	83,943,576

(*) Includes the activity of Millennium bcp Gestão de Activos;
(**) Includes the activity of Millennium Bank Greece and Banca Millennium Romania;
(***) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.

Reconciliation of net income of reportable segments with the net result of the Group

Description of the relevant items of reconciliation:

	Jun 2014 Euros '000	Jun 2013 Euros '000
Net contribution (excluding minority interest effect)		
Retail Banking in Portugal	(41,196)	(96,809)
Companies	(3,483)	(40,289)
Corporate and Investment Banking	78,340	(5,056)
Asset Management and Private Banking	3,679	(2,915)
Portfolio non core business	(91,860)	(146,318)
Foreign Business	139,601	122,111
Non-controlling interests (1)	(52,596)	(43,987)
	32,485	(213,263)
(Loss) / income from discontinued operations	(33,605)	(44,206)
	(1,120)	(257,469)
Amounts not allocated to segments:		
Interests of hybrid instruments	(130,554)	(134,679)
Net interest income of the bond portfolio	58,887	56,254
Interests written off	(27,619)	(52,287)
Cost of debt issue with State Guarantee	(16,437)	(35,352)
Own Credit Risk	(3,299)	(8,283)
Impact of exchange rate hedging of investments	(685)	107
Equity accounted earnings	22,994	30,643
Impairment and other provisions (2)	(145,899)	(109,932)
Operating expenses	-	(3,755)
Gain on sale of the non life insurance business	69,396	-
Others (3)	112,089	26,534
Total not allocated to segments	(61,127)	(230,750)
Consolidated net (loss) / income	(62,247)	(488,219)

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, in Mozambique and in Angola;
(2) Includes provisions for property in kind, administrative infractions, various contingencies and other unallocated to business segments.
(3) Includes funding for non interest bearing assets and the financial strategies as well as tax effect associated with the items previously discriminated.

52. 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 2014 and 31 December 2013 is presented in the following table:

	Original exposure	
Risk items	**Jun 2014 Euros '000**	**Dec 2013 Euros '000**
Central Governments or Central Banks	10,625,189	11,378,621
Regional Governments or Local Authorities	702,629	776,639
Administrative and non-profit Organisations	335,017	302,772
Multilateral Development Banks	77,521	73,468
Other Credit Institutions	5,059,861	4,472,853
Retail and Corporate customers	71,606,061	73,617,722
Other items	9,724,040	9,347,502
	98,130,318	99,969,577

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 2014 of the credit granted to entities whose country is one of those identified.

				Jun 2014			Euros '000
		Country					
Counterparty type	Maturity	Spain	Greece	Hungary	Ireland	Italy	Portugal
Financial Institutions	2014	59,341	18	1,030	665,009	51	79,178
	2015	24,037	-	-	-	-	51,094
	2016	-	-	-	-	-	15,216
	>2016	111,500	-	-	-	6,000	540,989
		194,878	18	1,030	665,009	6,051	686,477
Companies	2014	30,675	-	-	2,822	-	5,761,012
	2015	20,000	424	-	-	-	615,023
	2016	-	-	-	-	-	520,544
	>2016	123,642	27,391	-	183	-	6,341,365
		174,317	27,815	-	3,005	-	13,237,944
Retail	2014	5,162	21	1	67	109	2,055,120
	2015	90,082	18	2	2,791	39	565,828
	2016	69	10	2	80	37	461,441
	>2016	47,276	292	129	56,049	5,592	21,813,289
		142,589	341	134	58,987	5,777	24,895,678
State and other public entities	2014	-	-	-	-	-	1,407,276
	2015	-	-	-	-	-	1,458,494
	2016	-	-	-	-	-	433,617
	>2016	34,553	-	-	-	50,000	4,422,003
		34,553	-	-	-	50,000	7,721,390
Total country		546,337	28,174	1,164	727,001	61,828	46,541,489

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.

The Bank of Portugal applied for a group of templates to valuate the risk associated to the loans portfolio and the calculation of the corresponding losses.
There were considered several presuppositions for the following categories:

a) Collaterals and Guarantees

On the risk evaluation of an operation or a group of operation, there are consider the mitigation elements of the risk credit associated to them, in accordance with the rules and internal procedures that fulfil the requirements defined on the Instruction n. 5/2007 of the Bank of Portugal, also reflecting the experience of the loans recovery areas and the Legal Department opinion in respect on the entail of the several mitigation instruments.

The collaterals and the guarantees important can be aggregated in the following categories:
financial collaterals, real estate collaterals and other collaterals;
values to receive;
first demand guarantees, issued by banks or other entities with Risk Degree 7 or better on the Rating Master Scale;
personal guarantees, when the persons are classified with Risk Degree 7 or better;
credit derivatives.

The financial collaterals accepted are those that are transactional in recognized stock exchange, in other words, on an organized secondary market, liquidity and transparent, with the purchase and sell public prices, located in countries like European Unity, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that Bank’s shares are not accepted as financial collaterals of new credit operations, only accepted in the guaranteed reinforce of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, it is applied the replace principle of the Risk Degree of the client by the Risk Degree of the protector (only if the Risk of Degree of this last is better than the first one), when:

- exists State or Financial Institutions guarantees;
- exits personal guarantees (or the case of leasing operations, exists the contra party contracted);
- the mitigation is effective through credit derivatives.

It is attributed an internal level of protection to all credit operations in the moment of the grand decision, considering the credit amount and the amount and the type of the involved collaterals. The protection level corresponds to the valuation the loss reduction in case of not fulfils of the several collaterals type, considering the market value of the collaterals and the value of expositions associated.

In the case of financial collaterals, adjustment is proceeded of the value of protection through the allocation on a group of haircuts, in order to reflect the prices volatile of the financial instruments.

In the case real estate mortgage, the initial evaluation the real estate value is done during the analyses process and credit decision.

Both the initial evaluations and the respectively values reviewed by external entities, from the analytical and ratification process are centralized on the Evaluation Unit, independent of the clients areas.

In any case, there is a wrote report in a standardized digital format, based on a group of predefined processes aligned with the sector pratices – income, cost and replace and/or market comparative -,forgiven the obtain value, both for the market value and for the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an evaluator since 2008, as demanded by the Instruction n.5/2007 of the Bank of Portugal, and the Evaluation Unit made the ratification.

Regarding the residence real estates, after the initial evaluation and in accordance with the Instructions n. 5/2006 and 5/2007 of the bank of Portugal, the Bank proceed the verification of the values through indexes or a review of the real estate value by professional evaluators, depending on the credit operation amount, and in accordance with the established rules.

For the non-residence real estates, the Bank also proceed to the verifications of the value through market index and to a periodically revisions of the value in accordance with the Instruction n.5/2007 of the Bank of Portugal, in the case of offices, stores and industrial installations.

For all real estate (residence and non-residence) in which the respectively verified values results on an significant devaluation of the real estate value (more than 10%), consequently it is review the value, by an evaluator.

For the other real estate (lands, commercial spaces or country side buildings for example) there are not market indexes available which allowed verifying the values, after the initial evaluations. Therefore, for these cases and in accordance with the minimal periodicals for the amounts verifications and reviews of this type of real estate, there are made by external evaluators.

The indexes actually used are send to the Bank by an external entity specialized in more than a decade, in recover and treatment of information, in which is based the evaluation.

In the case of the financial collaterals, the market value is daily updated and automatically, through an IT connection between the collaterals management system and the relevant financial markets information.

b) Risk of Degree

The loan grand is based on the previous classification of client risk, and also a strong evaluation of the protection level of the collaterals. With this proposes, it is used an unique system of risk notation, a Rating Master Scale, based on the expected Probability of Default (PD), allowing the capacity to evaluate the clients and a better hierarchy of the associated risk. The Rating Master Scale allows also identify the clients which evidence signs of degradation of the credit capacity and, in particular, those that are classified, in accordance with Basel II in accordance with the concept defined in IRB, in non-payment situation. All the rating systems and models used by the Group were ganged to the Rating Master Scale.

With the goal to evaluate properly the credit risks, the Group defined a group of macro segments and segments which are treated through different rating systems and models and allows the relation of the internal Risk Degree and the PD of the clients, assure the risk evaluation that considers the clients specific characteristics, in terms of the respectively risk profile.

The evaluation made by these rating systems and models results on the Risk Degree of the Master Scale, with fifteen degrees, which the last three corresponds to the degradation situations relevant to the credit quality of the clients, and designated by Legal Risk of Degree: 13, 14 and 15 which corresponds, by this order, situations of increase seriousness in terms of non-payment and/or impairment, as the Risk of Degree 15 synonym as Default.

The Non Legal Risk of Degree are attributed by the rating systems with models of automatically decision or by the Rating Department – independent unit from the analysis and decision areas and committees – and are reviewed/actualized periodically or always when occurs events that justify.

The models that integrate the several rating systems are regularly subject to validation, made by Audit and Models Validation Unit, integrated in the Internal Audit Department, independent from the units responsible from the development and maintenance of the Rating models.

The conclusions of the validations by the Audit and Models Validation Unit, as well the respectively recommendations and proposes changes and/or improvements, are analyzed and ordered by an specific Validation Committee, which composition depends on the type of model analyzed. The propositions of models changes originated by the Validation Committee are submitted to approbation to the Risk Committee.

c) Impairment and Write-offs

For the impairment calculation, the clients are submitted to the following approaches:

- individual analysis, in the case the exposition exceeds the material limit previously fixed;
- collective analysis, in the case of the client has impairment signs, but not achieving the referred material limits.

There object to individual analysis the clients in the following conditions:

- group or clients with exposure more than 25 million Euros;
- groups with exposure more than 5 million Euros, if one entity of the group has signs of impairment;
- clients accompanied by the Legal Department or by Recovery Department – Insolvency Area in cases which are not verifying the previous conditions, but with exposition more than 1 million Euros. In case of groups, all entities are submitted to individual analysis accompanied by those units, if one of the entities has an exposition more than 1 million Euros;
- special proposes vehicles (SPV).

In the case of clients with impairment signs but not subject to the individual analysis, the respectively impairment is calculated in accordance with specific algorithm, with parameters – probabilities, recovery average time, averages losses – which values depends not also from the product, but also from the several credit conditions: performing, non legal recovery and legal recovery.

In the case of recovery through the execution of collaterals and guarantees, its value is decreased of the correspondents haircuts, in order to consider the respectively devaluation, including also the average time of execution.

It considers that the exposition of a client has impairment signs, in the case occurs one of the following conditions:

- existing at least one credit in write-off;
- existing at least one credit in legal process;
- existing at least one credit in non performing;
- existing at least one restructured credit;
- client in recovery;
- client with quality sign alert;
- existing of impairment in the previous period (in case of clients submitted to individual analysis).

The loans without impairment signs, as also those that were object to individual analysis which did not result on the existence of impairment, are aggregated in accordance with the characteristics of credit risks, calculating the respectively impairment (IBNR – Incurred But Not Reported) on base in homogeny populations:

- mortgage loans;
- consumer credit;
- leasing;
- guaranties;
- clients with restructured loans with reinforcement of guarantees or non-performing interests payment;
- other loans with amount more than 5 million Euros;
- other loans with amount not more 5 million Euros.

For each client, the impairment is calculated through the difference between the exposition and the sum of the expected cash-flows related to several operations, actualized under the effective interest rate of each operation.

For the calculation of the exposition value, it is consider the totally of the direct loans, including the accrued interest, the guarantees and the non-used expositions limits associated at each client.

In particularly, the clients analyzed individually are submitted to an regular process of recover information consider necessary to the attribution of the expected recovery of the total exposition and the expected time for its recovery, and the impairment value of each client is supported, essentially, regarding the expected receivables of the monetary, financial or physical assets, on the expected time for these receivables, as well the time since the entrance of the Bank´s recovery process and the respectively evolution.

This regular process is between the collections of the information from the Bank's areas responsible of the management of each client or for each moment can send the relevant information for the impairment calculation.

This information includes, specially:

- economic-financial data, based on the financial statements of the client most recent;
- quality information, that characterize the client situation, mainly the economic viability of the business, through the estimated cash flows;
- loans experience of the client with the Bank and with the Financial System.

Also, it is relevant that the information about collaterals and guarantees, specially the real estate companies and in the case that the economic viability is reduced.

On the collaterals treatment, the bank assume an conservative position, with the introductions of haircuts, in order to incorporate the devaluation risk of the assets, the costs related to the sale, maintenance and necessary time of the sale.

The results of the impairment calculation are accounted. In accordance with the "Carta Circular" n.19/2009 of the Bank of Portugal, an accounting reverse of the loans is made when not exists any expected real recovery. As referred in "Carta Circular" n.15/2009 of the Bank of Portugal, the accounting reverse of the loans is accounted if there are not realists perspectives for the recovery, under an economic perspective and for the centralized collaterals, when the funds from da sell of the collaterals have been received by the using of the impairment losses when occured 100% of the value of the loans considered as not recovered.

It is important to mention that all procedures and methodologies described are fully disclosed in internal rules approved by the management and related to the impairment, concession, monitoring, recovered loans and non-performing loans processes.

The following templates is detailed the expositions and impairment by segments:

	Exposure at June 2014					
		Performing loans			Non-performing loans	
Segment	Total Exposure Euros '000	Total Euros '000	Of which of the default situation Euros '000	Of which restructured Euros '000	Total Euros '000	Of which restructured Euros '000
Construction and Commercial Real Esta	8,947,514	6,168,350	203,624	681,579	2,779,164	878,054
Companies-Other Activities	25,022,164	22,556,220	389,718	2,445,805	2,465,944	971,896
Mortgage loans	25,515,116	24,022,230	392,524	722,289	1,492,886	311,916
Individuals - Others	4,767,002	3,857,547	75,001	353,177	909,455	276,794
Other loans	775,785	775,784	-	11,517	1	-
Total	65,027,581	57,380,131	1,060,867	4,214,367	7,647,450	2,438,660

	Impairment at June 2014		
Segment	Total Impairment Euros '000	Performing loans Euros '000	Non-performing loans Euros '000
Construction and Commercial Real Esta	1,040,938	203,878	837,060
Companies-Other Activities	1,517,082	768,177	748,905
Mortgage loans	282,254	82,085	200,169
Individuals - Others	524,425	89,003	435,422
Other loans	2,612	2,612	-
Total	3,367,311	1,145,755	2,221,556

The following templates includes the detail of the exposure non-performing loans and impairment respectively by segment:

	Exposure at June 2014					
		Performing loans			Non-performing loans	
		Days past due <30			Days past due	
Segment	Total Exposure Euros '000	Without evidence Euros '000	With evidence Euros '000	Total Euros '000	<=90 Euros '000	>90 Euros '000
Construction and Commercial Real Esta	8,947,514	4,834,650	1,219,717	6,054,367	416,962	2,362,202
Companies-Other Activities	25,022,164	18,599,750	3,800,562	22,400,312	465,429	2,000,515
Mortgage loans	25,515,116	23,410,513	391,695	23,802,208	98,836	1,394,050
Individuals - Others	4,767,002	3,598,104	180,899	3,779,003	64,750	844,705
Other loans	775,785	572,600	21	572,621	-	1
Total	65,027,581	51,015,617	5,592,894	56,608,511	1,045,977	6,601,473

	Impairment at June 2014				
		Performing loans		Non-performing loans	
Segment	Total Impairment Euros '000	Days past due <30 Euros '000	Days past due between 30-90 Euros '000	Days past due <=90 Euros '000	Days past due >90 Euros '000
Construction and Commercial Real Esta	1,040,938	196,089	7,789	75,078	761,982
Companies-Other Activities	1,517,082	748,845	19,333	96,629	652,276
Mortgage loans	282,254	66,959	15,126	9,131	191,038
Individuals - Others	524,425	61,826	27,177	32,568	402,854
Other loans	2,612	1,787	2	-	0
Total	3,367,311	1,075,506	69,427	213,406	2,008,150

As at 30 June 2014, the following template includes the loans portfolio by segment and by year of production:

Year of Production	Construction and Commercial Real Estate	Companies Other Activities	Mortgage loans	Individuals Others	Other loans	Total
2004 and previous						
Number of operations	8,763	17,594	139,034	276,241	38	441,670
Value (Euros '000)	601,189	2,129,255	4,772,784	352,086	761	7,856,075
Impairment constituted (Euros '000)	81,348	61,865	60,706	15,071	1	218,991
2005						
Number of operations	2,106	3,435	50,027	50,359	2	105,929
Value (Euros '000)	334,510	568,177	2,430,650	100,816	3	3,434,156
Impairment constituted (Euros '000)	51,843	81,851	29,923	7,993	-	171,610
2006						
Number of operations	2,575	4,462	71,051	72,949	3	151,040
Value (Euros '000)	507,779	878,226	3,798,357	143,499	1,707	5,329,568
Impairment constituted (Euros '000)	68,967	38,551	40,032	14,614	-	162,164
2007						
Number of operations	3,649	6,697	83,860	100,415	3	194,624
Value (Euros '000)	942,623	1,362,069	4,909,671	215,641	3,291	7,433,295
Impairment constituted (Euros '000)	132,903	96,784	58,971	30,080	-	318,738
2008						
Number of operations	5,349	8,647	60,467	125,271	34	199,768
Value (Euros '000)	953,567	1,668,169	3,731,723	278,900	4,891	6,637,250
Impairment constituted (Euros '000)	121,056	152,512	42,949	50,056	-	366,573
2009						
Number of operations	5,641	9,745	25,734	138,633	34	179,787
Value (Euros '000)	796,840	1,318,750	1,448,630	296,231	7,789	3,868,240
Impairment constituted (Euros '000)	142,617	112,630	17,723	67,009	-	339,979
2010						
Number of operations	6,048	14,988	28,393	189,405	42	238,876
Value (Euros '000)	897,006	1,918,255	1,574,900	351,456	87,726	4,829,343
Impairment constituted (Euros '000)	87,117	230,521	13,089	50,071	235	381,033
2011						
Number of operations	5,953	22,165	18,619	199,505	35	246,277
Value (Euros '000)	524,442	1,357,601	963,928	338,017	23,458	3,207,446
Impairment constituted (Euros '000)	91,287	122,373	6,088	52,382	881	273,011
2012						
Number of operations	6,058	22,907	15,177	203,931	373	248,446
Value (Euros '000)	675,599	2,664,854	731,601	477,157	48,379	4,597,590
Impairment constituted (Euros '000)	58,050	146,849	5,358	70,833	111	281,201
2013						
Number of operations	7,162	29,241	16,101	302,665	390	355,559
Value (Euros '000)	1,063,600	3,761,071	838,922	1,074,338	393,105	7,131,036
Impairment constituted (Euros '000)	80,659	151,108	5,279	64,874	781	302,701
2014						
Number of operations	18,703	67,666	5,275	538,472	80	630,196
Value (Euros '000)	1,650,359	7,395,737	313,950	1,138,861	204,675	10,703,582
Impairment constituted (Euros '000)	125,091	322,038	2,136	101,442	603	551,310
Total						
Number of operations	72,007	207,547	513,738	2,197,846	1,034	2,992,172
Value (Euros '000)	8,947,514	25,022,164	25,515,116	4,767,002	775,785	65,027,581
Impairment constituted (Euros '000)	1,040,938	1,517,082	282,254	524,425	2,612	3,367,311

As at 30 June 2014, the following template includes the details of the loans portfolio and individual and the collective impairment by segment, sector and geography:

	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and Commercial Real Esta	2,781,246	6,166,268	8,947,514	850,904	190,034	1,040,938
Companies-Other Activities	5,009,347	20,012,817	25,022,164	1,201,976	315,106	1,517,082
Mortgage loans	34,756	25,480,360	25,515,116	11,037	271,217	282,254
Individuals - Others	238,947	4,528,055	4,767,002	105,908	418,517	524,425
Other loans	202,371	573,414	775,785	824	1,788	2,612
Total	8,266,667	56,760,914	65,027,581	2,170,649	1,196,662	3,367,311

	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Sector	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Loans to Individuals	246,137	28,333,142	28,579,279	104,002	636,133	740,135
Manufacturing	412,464	3,916,555	4,329,019	120,556	79,465	200,021
Construction	1,222,483	3,316,111	4,538,594	399,668	116,296	515,964
Commerce	482,668	4,504,085	4,986,753	161,326	142,919	304,245
Real Estate Promotion	710,349	977,581	1,687,930	192,161	20,474	212,635
Other Services	4,576,713	11,591,704	16,168,417	1,074,872	153,266	1,228,138
Other Activities	615,853	4,121,736	4,737,589	118,064	48,109	166,173
Total	8,266,667	56,760,914	65,027,581	2,170,649	1,196,662	3,367,311

	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Geography	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Portugal	7,477,648	41,670,490	49,148,138	1,957,948	917,050	2,874,998
Angola	92,734	875,974	968,708	20,141	18,942	39,083
Mozambique	207,711	1,489,087	1,696,798	20,493	55,214	75,707
Poland	225,657	12,262,185	12,487,842	134,581	198,685	333,266
Rumania	60,548	416,800	477,348	36,663	4,869	41,532
Switzerland	202,369	-	202,369	823	-	823
Other geographies	-	46,378	46,378	-	1,902	1,902
Total	8,266,667	56,760,914	65,027,581	2,170,649	1,196,662	3,367,311

As at 30 June 2014, the following template includes the entrances and the exits of the restructured loans portfolio:

	Jun 2014
	Euros '000
Balance on 1 January	5,827,753
Restructured loans in the period	1,520,918
Accrued interests of the restructured portfolio	13,131
Settlement restructured credits (partial or total)	(316,025)
Reclassified loans from "restructured" to "normal"	(221,758)
Others	(265,574)
Balance on 30 June	6,558,445

As at 30 June 2014, the following template includes the fair value of the collaterals associated to the loans portfolio by segments Construction and CRE, Companies-Other Activities and Mortgage loans:

	Construction and Commercial Real Estate		Companies-Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other Collateral**	**Real Estate**	**Other Collateral**	**Real Estate**	**Other Collateral**
< 0.5 M€						
Number	12,448	5,984	11,685	40,544	433,799	5,380
Value (Euros '000)	46,475,741	81,598,489	230,024,391	711,056,956	11,282,499,115	573,502
>= 0.5 M€ and < 1 M€						
Number	859	72	1,397	265	2,371	3
Value (Euros '000)	47,877,077	20,396,925	226,375,787	104,106,366	134,679,038	1,624
>= 1 M€ and < 5 M€						
Number	697	55	1,193	316	313	-
Value (Euros '000)	191,212,017	34,994,502	528,310,103	382,155,193	31,184,262	-
>= 5 M€ and < 10 M€						
Number	89	12	144	27	2	-
Value (Euros '000)	56,867,747	8,154,496	199,736,665	56,767,828	11,660	-
>= 10 M€ and < 20 M€						
Number	47	6	78	17	1	-
Value (Euros '000)	33,920,316	84,653	49,165,561	27,800,861	14,204	-
>= 20 M€ and < 50 M€						
Number	27	1	34	15	-	-
Value (Euros '000)	148,877,595	22,113	23,088,824	64,220,297	-	-
>= 50 M€						
Number	15	2	13	10	-	-
Value (Euros '000)	477,086,663	129,596,013	1,067,237	88,044,200	-	-
Total						
Number	14,182	6,132	14,544	41,194	436,486	5,383
Value (Euros '000)	1,002,317,156	274,847,191	1,257,768,568	1,434,151,701	11,448,388,279	575,126

As at 30 June 2014, the following template includes the LTV ratio by segments Construction and CRE, Companies-Other Activities and Mortgage loans:

Segment/Ratio	Number of properties	Performing loans Euros '000	Non-performing loans Euros '000	Impairment Euros '000
Construction and Commercial Real Estate				
Without associated collateral	n.a.	2,954,283	670,542	373,879
<60%	6,034	473,787	179,897	41,186
>=60% and <80%	1,422	382,133	127,003	22,375
>=80% and <100%	1,070	151,490	104,340	26,824
>=100%	47,236	1,922,780	1,684,851	572,785
Companies-Other Activities				
Without associated collateral	n.a.	15,645,796	1,015,343	928,467
<60%	26,965	1,578,195	121,039	51,420
>=60% and <80%	8,973	749,152	106,844	28,170
>=80% and <100%	7,560	849,196	153,079	54,585
>=100%	18,442	3,181,383	1,034,415	431,850
Companies-Other Activities				
Without associated collateral	n.a.	60,986	12,096	6,154
<60%	237,232	7,999,483	148,440	34,918
>=60% and <80%	125,899	7,165,482	211,975	41,652
>=80% and <100%	106,532	5,779,540	466,701	76,211
>=100%	63,728	3,001,552	650,098	122,380

As at 30 June 2014, the following template includes the fair value and the accounting net value of the properties arising from recovered loans, by asset and by antiquity:

Asset	Number of properties	Fair value of the asset Euros '000	Book value Euros '000
Land			
Urban	1,016	361,030	340,506
Rural	220	23,709	19,253
Buildings in development			
Commercials	2	48,181	48,181
Mortgage loans	2	16,736	16,736
Others	1	4,705	4,705
Constructed buildings			
Commercials	1,548	247,951	220,739
Mortgage loans	4,413	534,625	469,137
Others	429	200,847	163,188
Others	4	60	60
Total	7,635	1,437,844	1,282,505

	Past due since the lieu / execution				
Asset	<1 year Euros '000	>=1 year and <2,5 years Euros '000	>=2,5 years and <5 years Euros '000	>=5 years Euros '000	Total Euros '000
Land					
Urban	57,109	65,886	24,082	193,429	340,506
Rural	2,987	2,995	4,365	8,906	19,253
Buildings in development					
Commercials	-	-	-	48,181	48,181
Mortgage loans	-	-	5,032	11,704	16,736
Others	-	-	-	4,705	4,705
Constructed buildings					
Commercials	60,536	63,862	25,889	70,452	220,739
Mortgage loans	163,236	119,536	63,348	123,017	469,137
Others	37,278	56,694	40,253	28,963	163,188
Others	60	-	-	-	60
Total	321,206	308,973	162,969	489,357	1,282,505

As at 30 June 2014, the following template includes the distribution of the loans portfolio by degrees of risk:

	Segments					
	Construction	Companies		Individuals		
Degrees of risk	**and CRE**	**Other Activities**	**Mortgage loans**	**Others**	**Other loans**	**Total**
Higher quality						
1	-	-	-	-	-	-
2	825	9,026	3,961,870	142,827	7	4,114,555
3	2,528	33,598	2,399,812	133,285	6	2,569,229
4	58,061	985,173	5,265,767	235,377	564,890	7,109,268
5	140,511	2,016,370	3,061,490	590,217	4,323	5,812,911
6	555,251	2,206,117	1,973,684	474,321	1	5,209,374
Average quality						
7	413,876	2,252,412	1,613,898	480,704	2,119	4,763,009
8	295,247	1,767,027	1,049,174	350,836	5	3,462,289
9	632,769	2,403,964	872,674	290,502	3	4,199,912
Lower quality						
10	328,734	1,514,198	820,607	211,485	2,005	2,877,029
11	712,948	1,467,356	499,867	141,349	4	2,821,524
12	1,340,925	3,568,635	800,681	308,315	30	6,018,586
Procedural						
13	354,341	206,900	211,934	53,066	-	826,241
14	347,015	810,685	239,740	123,232	-	1,520,672
15	3,451,637	3,927,336	1,837,267	1,002,837	2	10,219,079
Not classified (without degree of risk)	312,846	1,853,367	906,651	228,649	202,390	3,503,903
Total	8,947,514	25,022,164	25,515,116	4,767,002	775,785	65,027,581

Market Risks

The Group in monitoring and control of market risk existing in the diverse portfolios (according to 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 Risk Metrics. 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, as at 30 June 2014 and 31 December 2013

					Euros '000
	Jun 2014	**Average**	**Maximum**	**Minimum**	**Dec 2013**
Generic Risk (VaR)	4,409	5,170	13,508	3,158	2,202
Interest Rate Risk	4,395	5,169	13,803	2,955	1,599
FX Risk	1,070	1,017	752	996	1,313
Equity Risk	1,023	968	883	720	589
Diversification effects	*2,079*	*1,984*	*1,930*	*1,513*	*1,299*
Specific Risk	308	364	537	263	263
Non Linear Risk	137	69	263	27	25
Commodities Risk	20	19	25	15	17
Global Risk	4,874	5,623	13,937	3,528	2,507

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 2014		Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	519	341	3,212	6,418
EUR	16,141	(19,561)	88,308	175,174
PLN	(4,301)	(2,311)	2,597	5,448
USD	(10,455)	(7,855)	9,466	18,454
TOTAL	1,904	(29,386)	103,583	205,494

		Dec 2013		Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	601	286	2,242	4,498
EUR	151,969	98,083	(73,665)	(141,442)
PLN	15,434	7,538	(7,208)	(14,112)
USD	(1,865)	(2,427)	4,353	8,536
TOTAL	166,139	103,480	(74,278)	(142,520)

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	104,988	104,988	86,098	86,098
Millennium bcp Bank & Trust	USD	340,000	340,000	246,591	246,591
BCP Finance Bank, Ltd.	USD	561,000	561,000	406,876	406,876
BCP Finance Company	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	55,767	55,767	40,446	40,446
Bank Millennium, S.A.	PLN	1,950,125	1,950,125	469,141	469,141

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 Risk 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 what relates to the wholesale funding composition, the Bank reimbursed medium-long term debt amounting to Euros 2,056,000,000 including the early redemption of Euros 400,000,000 of core tier I capital instruments (CoCos) subscribed by the Portuguese State. In February, favourable market conditions allowed the return of the Bank to the wholesale markets ahead of schedule, through an issue of senior debt amounting to Euros 500,000,000, which in the Liquidity Plan was expected to occur in the third quarter of 2014. As expected in the Liquidity Plan, the Bank pursued the diversification of its funding sources, namely through the increase of the balance of repos with international financial institutions and collateralised by securities, which balance amounts to Euros 1,521,380,000.

The active and optimized management of the portfolio of eligible assets in the Eurosystem remained a priority within the liquidity management policy of the Bank, and during the first half of 2014 included, among others, the following actions: unwind of two securitization transactions and re-allocation to the pool of the underlying assets under the form of additional credit rights; the implementation of a new mechanism allowing the selection of a material amount of new credit assets that were posted to the ECB's pool and significantly allowed its reinforcement; the acceptance by the Bank of Portugal of IRB models applicable to credit portfolios, allowing a decrease of related haircuts; and the adjustment of the terms and conditions of a retained issue of covered bonds, increasing its liquidity generation potential.

In spite of the reimbursement of Euros 2,056,000,000 of medium-long term debt and some growth of the securities portfolio during the first semester, the Bank was able to decrease the net funding in the Eurosystem by Euros 1,316,034,000 (from Euros 9,974,774,000 to Euros 8.658.740.000), due to the sustained reduction of the commercial gap, the senior debt issue and the diversification of wholesale funding sources. At the same time, the optimised management of the eligible assets (totalling Euros 18,611,738,000) led to the maintenance of a comfortable liquidity buffer (in Euros 9,952,998,000), even after the early redemption of a Euros 2,000,000,000 issue guaranteed by the State.

The above mentioned decrease on the net funding in the Eurosystem in the first semester of 2014 involved the early redemption of new Long-Term Refinancing Operation (LTRO) tranches of Euros 3,000,000,000, out of an original total of Euros 12,000,000,000 reducing its current balance to Euros 8,000,000,000 and allowing a greater flexibility in short-term borrowing and so a more efficient treasury management.

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 2014 Euros '000	Dec 2013 Euros '000
European Central Bank	14,605,563	17,803,957
Other Central Banks	2,272,603	1,918,129
	16,878,166	19,722,086

As at 30 June 2014, the amount discounted in the European Central Bank and Other Central Banks amounted to Euros 9,000,000,000 and Euros 0 respectively (31 December 2013: Euros 11,000,000,000 and Euros 0).

The amount of eligible assets for funding operations in the European Central Banks includes securities issued by SPEs 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 14	**Mar 14**	**Dec 13**	**Sep 13**	**Jun 13**
Collateral total after haircuts	14,605,563	15,868,435	17,803,957	19,551,827	15,807,708
Collateral used	9,000,000	10,000,000	11,000,000	12,900,000	11,900,000
Collateral available after haircuts	5,605,563	5,868,435	6,803,957	6,651,827	3,907,708

The indicated value "Total collateral after haircuts" corresponds to the amount reported in SITEME (application of the Bank of Portugal), which does not include, with reference to 30 June 2014:

i) - the other eligible assets and those temporarily out of the pool, which together amounted to Euros 4,006,174,000;
ii) - deposits made with the Bank of Portugal, deducted from the minimum cash reserves and accrued interest in the amount of Euros 0.

Thus, as at 30 June 2014, the liquidity mobilized through collateral available, plus deposits with the Bank of Portugal deducted from the minimum cash reserves and accrued interest, amounted to Euros 9,952,998,000 (31 December 2013: Euros 9,930,660,000).

The main liquidity ratios of the Group, according to the definitions of the Instruction n.º 13/2009 of the Bank of Portugal, with reference to 30 June 2014 and 31 December 2013, is as follows:

	Reference value	**Jun 14**	**Dec 13**
Accumulated net cash flows up to 1 year as % of total accounting liabilities	Not less than (- 6 %)	-8.6%	8.9%
Liquidity gap as a % of illiquid assets	Not less than (- 20 %)	3.0%	1.5%
Transformation Ratio (Credit / Deposits) (2)		115.6%	117.4%
Coverage ratio of Wholesale funding by HLA (1)			
(up to 1 Month)		481.0%	1052.5%
(up to 3 Months)		286.5%	502.2%
(up to 1 Year)		144.4%	187.4%

(1) HLA- Highly Liquid Assets.

(2) Transformation ratio computed according to Banco de Portugal rules for the Funding & Capital Plans (Financial consolidation).

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.

53. Solvency

Millennium bcp has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the generic market risk and the standard method for the operational risk.

The consolidated own funds of Banco Comercial Português have been determined according to the Notice nº6/2010 from Banco de Portugal and, as from 1 January 2014, according to Directive 2013/36/UE and Regulation (EU) 575/2013 approved by the European Parliament and the Council (Capital Requirements Directive IV / Capital Requirements Regulation - CRD IV/CRR).

According with Banco de Portugal rules

Consolidated own funds, determined by the Regulation nº 6/2010 from Banco de Portugal, result from adding tier 1 and tier 2 and subtracting the component of deductions. For the calculation of tier 1 are considered the core tier 1 elements, comprising the steadiest components of the own funds, and other relevant elements to discharges of tier 1.

Core tier 1 includes: i) paid-up capital, share premium, hybrid instruments eligible for this line item, fully subscribed by the Portuguese State within the scope of the Bank's capitalisation process, the reserves and the retained earnings, non-controlling interests in fully consolidated subsidiaries and the pension fund corridor; ii) and deductions related to own shares, goodwill and other intangible assets and customers deposits with yields above a certain threshold. Core tier 1 is also influenced by the reversal 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 valued 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.

The additional elements that integrate the tier 1 are preference shares and other hybrid instruments and even some deductions taken by 50%: (i) of interests held in financial institutions and insurers higher than 10% and 20%, respectively; and (ii) the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach.

Tier 2 includes the subordinated debt eligible pursuant to authorization of Banco de Portugal which, in respect to non-perpetual subordinated loans, is subject to a prudential amortization during the last five years to maturity. The tier 2 is also subject to the deduction of the remaining 50% of interests held in financial institutions and insurers and the shortfall of value adjustments and provisions to expected losses that have not been deducted to tier 1.

There are also some deductions to total 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 and the potential excess of exposure to risk limits within the scope of the Notice nº 7/2010 from Banco de Portugal.

There are still limits to the eligibility of some financial instruments to own funds, namely; (i) hybrids instruments, including those fully subscribed by the Portuguese State within the scope of the Bank's capitalisation process, may only contribute to tier 1 up to 50% of the value of the latter, and any excess must be deducted to tier 1 and added to upper tier2; (ii) lower tier 2 cannot surpass 50% of tier 1 and (iii) tier 2 cannot surpass the total amount of tier 1.

Banco de Portugal established that financial institutions should report total capital ratios of at least 8% and consolidated core tier 1 ratios no lower than 10% as at the year-end 2012 and onwards.

On the other hand, EBA established a core tier 1 ratio including, namely, a capital buffer related to the exposure to sovereign risks, which totalled Euros 848 million in the case of BCP, and should be of at least 9%. On 22 July 2013, EBA released a recommendation that replaced that ratio, establishing the preservation of a nominal floor of core tier 1 capital corresponding to the amount of capital needed to meet the core tier 1 ratio of 9% as at June 30, 2012, including the same capital buffer for exposures to sovereign risk, in order to ensure an appropriate transition to the stricter requirements of the CRD IV/CRR. However, making use of the exceptions provided by this recommendation, particularly for institutions involved in the process of restructuring and orderly gradual deleveraging, for which the minimum nominal capital can be fixed with reference to the capital requirements determined in a later reference date, Millennium bcp in due time submitted to Banco de Portugal the request to waive the fulfilment of the nominal core tier 1 capital amount foreseen by that recommendation, having the authorization granted in May 2014.

The own funds and the capital requirements determined according to the methodologies of the Notice n. 23/2007 from the Bank of Portugal previously referred are the following:

	Jun 2014 Euros '000	Dec 2013 Euros '000
Core own funds		
Paid-up capital and share premium	1,465,000	3,500,000
Other capital instruments	2,600,000	3,000,000
Reserves and retained earnings	1,136,600	(892,093)
Non-controlling interests	718,149	699,062
Intangible assets	(248,893)	(250,418)
Net impact of accruals and deferrals	8,496	16,992
Other regulatory adjustments	(30,142)	(33,205)
Core tier 1	5,649,210	6,040,338
Preference shares and other securities	167,544	40,340
Other regulatory adjustments	(430,089)	(434,440)
Total	5,386,665	5,646,238
Complementary own funds		
Upper Tier 2	36,978	163,357
Lower Tier 2	732,524	716,637
	769,502	879,994
Deductions to total own funds	(104,468)	(105,602)
Total own funds	6,051,699	6,420,630
Own funds requirements		
Requirements from Regulation no.5/2007	3,021,999	3,225,845
Trading portfolio	55,997	38,843
Operational risk	249,410	249,410
	3,327,406	3,514,098
Capital ratios		
Core tier 1	13.6%	13.8%
Tier 1	13.0%	12.9%
Tier 2 (*)	1.6%	1.8%
Solvency ratio	14.5%	14.6%
By memory:		
Core Tier 1 EBA	10.5%	10.8%

(*) Includes deductions to total own funds

According to CRD IV/CRR rules

Own funds are calculated according to Directive 2013/36/UE and Regulation (EU) 575/2013 approved by the European Parliament and the Council, and result from adding tier 1 and tier 2. Tier 1 comprises common equity tier 1 and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, hybrid instruments eligible for this line item, fully subscribed by the Portuguese State within the scope of the Bank's capitalisation process, reserves and retained earnings and non-controlling interests in fully consolidated subsidiaries; ii) and deductions related to own shares, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach and goodwill and other intangible assets. Reserves and retained assets are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, net of taxes, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

Additional tier 1 comprises preference shares and other hybrid instruments that are compliant with CRR requirements and the minority interests eligible up to the amount of tier 1 capital requirements attributable to the minorities.

Tier 2 includes the subordinated debt that are compliant with CRR requirements and the minority interests eligible up to the amount of total capital requirements attributable to the minorities.

CRD IV/CRR stipulates a transitional period to exclude some elements previously considered (phase-out) and include/deduct new elements (phase-in), in which institutions may accommodate the new requirements The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax assets already recorded on the balance sheet of January 1, 2014, and the subordinated debt and all the hybrid instruments not eligible to the own funds, that have a longer period (until the end of 2021).

The calculation of risk-weighted assets also presents some changes in relation to how it is performed in accordance with the regulatory framework of Basel II, with emphasis on the 250% risk weighting of the deferred tax assets from temporary differences and investments higher than 10% held in financial institutions and insurance companies that are within the limits established for not deducting them to common equity tier 1 (instead of 0% and 100%, respectively) and on the calculation of capital requirements to cover credit risk of small and medium companies for which IRB approaches are used.

Within the new regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios of at least 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer, but benefiting from a transitional period that will last until the end of 2018. Notwithstanding, Banco de Portugal determined that the institutions are bound to ensure the maintenance of a common equity tier 1 ratio of at least 7 % along the transitional period, in order to ensure proper adequacy with capital demands ahead.

The own funds and the capital requirements determined according to the methodologies CRD IV / CRR previously referred are the following:

	Jun 2014 **Euros '000**
Ordinary share capital	1,465,000
Ordinary own shares	(19,270)
Other capital (State aid)	2,600,000
Reserves and retained earnings	1,046,800
Minority interests	718,149
Regulatory adjustments	(275,159)
Amount exceeding thresholds	(426,860)
Common equity tier 1 (CET1)	5,108,660
Tier 1	5,108,660
Subordinated debt	1,074,926
Others	(395,231)
Tier 2	679,695
Total own funds	5,788,355
Risk weighted assets	
Credit risk	38,876,638
Market risk	847,652
Operational risk	3,117,627
Total	42,841,917
Capital ratios	
CET1	11.9%
Tier 1	11.9%
Tier 2	1.6%
Total	13.5%

54. Relevant Administrative proceedings underway and related proceedings

1. The Bank received a formal notice dated 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 on preliminary evidence of administrative offences foreseen in the General Framework of Credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, 31 December), in particular with respect to breach of accounting rules, provision of false or incomplete information to the 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 on facts related to 17 off-shore entities, whose nature and activities were always hidden from the Bank of Portugal, in particular in previous inspections carried out”.

On 12 December 2008, the Bank was notified of an accusation under 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.

In 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 withdraw the charges relating to a former Director and a Manager.

The Bank objected to this decision on July 15, 2000 and was informed of the decision to accept the legal objections presented by all the defendants.

The court hearing began in April 2011. On 7 October 2011, a court order was issued declaring the evidence presented null and that, consequently, the entire proceeding was declared null.

The Public Prosecutor and the Bank of Portugal appealed this decision. The Bank and other defendants 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 the Bank of Portugal and by the Public Prosecutor, and revoked the decision appealed, determining that, the court hearing should proceed.

Pursuant to a decision made on 27 February 2014, the "Tribunal de Pequena Instância Criminal de Lisboa" (court of Lisbon for minor criminal offences) scheduled a date (31 March 2014) to resume the court hearing for debate and judgement and decided to bar all offences imputed to one former Director of BCP, due to the statute of limitations. In what specifically concerns BCP, the "Tribunal de Pequena Instância Criminal de Lisboa" (court of Lisbon for minor criminal offences) decided to bar two administrative offences imputed to it, (alleged forging of accounting records) due to the statute of limitations.

Considering that BCP had also been charged with the alleged practice of other administrative offences, the trial continued regarding these administrative offences and is currently underway.

2. On July 2009, the Bank was notified of the accusation brought about by the Public Prosecutor 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 claiming: (i) the recognition of its right, in a later period namely following the final identification of the facts, to 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 recognized, 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 (8th Lisbon criminal court section) that recognized 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 of the first instance Court’s sentence.

Through a sentence issued on 2 May 2014, three of the four defendants were sentenced to suspended prison sentences (to 2 years) and to the payment of fines amounting to Euros 300,000 and 600,000 for the market manipulation crime, with the disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper. The defendants appealed to the Lisbon Court of Appeal.

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 (Suisse) 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 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 Swiss Law and subject to the jurisdiction of the Swiss courts and the Bank was informed that, according to 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 8 January 2013. Banque Privée presented its arguments on 11 March 2013. On 10 January 2014, the parties presented their evidence requests and BCP and Banque Privée presented on 23 January 2014 their replies to the Plaintiff's evidence requests. The proceeding is waiting the scheduling of a preliminary hearing or the pronunciation of a decision accepting the formalities of right of action.

4. In December of 2013, the company Sociedade de Renovação Urbana Campo Pequeno, S.A., in which the Bank holds a 10% stake as a result of a conversion of credits, has filed an action for Euros 75,735,026.50 against the Bank in order to obtain (i) the acknowledgement that a loan agreement entered into by such company and the Bank on 29 May 2005 constitutes a shareholders loan instead of a pure bank loan; (ii) the reimbursement of the loaned amount to be made according to the existent shareholders agreement; (iii) the nullification of several mortgages established in favor of the defendant between 1999 and 2005 and (iv) the statement of non-existence of a debt related represented by a promissory note (held by the company) acting as security.

The action currently awaits a court order to present the evidence requests and scheduling of the preliminary hearing.

The Bank is convinced that, having in consideration the facts argued by the Plaintiff, the suit shall be deemed unfounded.

5. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, in 6 March 2013, several searches were conducted of Bank's premises, as well as to at least 8 other credit institutions, where documentation was seized in order to verify signs of privileged commercial information in the Portuguese banking market.

The Portuguese Competition Authority has declared the administrative proceeding to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties' rights, would not be compatible with the publicity of the process. Until this date, the Bank has not received any accusation or notice of illegality.

55. Sovereign debt of European Union countries subject to bailout

As at 30 June 2014, the Group's exposure to sovereign debt of European Union countries subject to bailout, is as follows:

	Jun 2014					
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
Greece						
Financial assets held for trading	2,139	2,139	-	0.00%	0.0	1
	2,139	2,139	-			

The securities value includes the respective accrued interest.

In May 2014, ended the period of the adjustment program agreed in 2011 between the Portuguese Government and Troika (European Central Bank, International Monetary Fund and European Commission), so Portugal is no longer subject to bailout from this date.

As at 31 December 2013, the Group's exposure to sovereign debt of European Union countries subject to bailout, is as follows:

	Dec 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	180,612	180,612	-	4.58%	5.0	1
Financial assets available for sale	3,860,807	3,860,807	89,412	2.83%	1.8	1
Financial assets held to maturity	1,837,108	1,859,094	-	4.44%	4.5	n.a.
	5,878,527	5,900,513	89,412			
Greece						
Financial assets held for trading	1,768	1,768	-	0.00%	0.0	1
	1,768	1,768	-			
	5,880,295	5,902,281	89,412			

The securities value includes the respective accrued interest.

The Group's 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:

	Dec 2013	
	Loans and advances to customers Euros '000	**Guarantees and future commitments Euros '000**
Portugal	963,268	13,085
	963,268	13,085

56. 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 acquired 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 securities. The value of the senior securities fully subscribed by the Funds 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 securities are remunerated at an interest rate that reflects the risk of the company that holds the assets.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the sale value.

These junior securities, 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 securities plus it related interest.

However, considering these assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, they 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 securities (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 Group performed, under the scope of IAS 39.20 c, the derecognition of the assets transferred and the recognition of the assets received as follows:

	Values associated to transfers of assets					
	Jun 2014			Dec 2013		
	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	266,079	292,644	26,565	266,079	292,644	26,565
Fundo Reestruturação Empresarial FCR	82,566	83,212	646	78,800	79,446	646
FLIT	354,910	338,718	(16,192)	300,042	277,518	(22,524)
Vallis Construction Sector Fund	200,105	235,656	35,551	196,658	232,209	35,551
Fundo Recuperação FCR	242,972	232,173	(10,799)	218,320	202,173	(16,147)
Fundo Aquarius FCR	65,405	72,727	7,322	-	-	-
Discovery Real Estate Fund	146,325	132,332	(13,993)	144,768	130,527	(14,241)
	1,358,362	1,387,462	29,100	1,204,667	1,214,517	9,850

As at 30 June 2014, the amount of this account is comprised of:

	Jun 2014					
	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	279,958	-	279,958	(13,620)	-	266,338
Fundo Reestruturação Empresarial FCR	89,409	-	89,409	(1,113)	-	88,296
FLIT	180,720	65,645	246,365	(6,784)	(65,645)	173,936
Vallis Construction Sector Fund	214,743	35,441	250,184	-	(35,441)	214,743
Fundo Recuperação FCR	210,060	71,692	281,752	(33,116)	(71,692)	176,944
Fundo Aquarius FCR	73,779	-	73,779	-	-	73,779
Discovery Real Estate Fund	136,872	-	136,872	(3,114)	-	133,758
	1,185,541	172,778	1,358,319	(57,747)	(172,778)	1,127,794

As at 31 December 2013, the amount of this account is comprised of:

	Dec 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	275,046	-	275,046	-	-	275,046
Fundo Reestruturação Empresarial FCR	82,696	-	82,696	-	-	82,696
FLIT	181,417	65,645	247,062	(4,154)	(65,645)	177,263
Vallis Construction Sector Fund	207,632	34,610	242,242	-	(34,610)	207,632
Fundo Recuperação FCR	183,169	70,637	253,806	(17,018)	(70,637)	166,151
Discovery Real Estate Fund	131,390	-	131,390	-	-	131,390
	1,061,350	170,892	1,232,242	(21,172)	(170,892)	1,040,178

The junior securities correspond to supplementary capital contributions in the amount of Euros 137,337,000 (31 December 2013: Euros 136,282,000), as referred in note 33 and Participation units in the amount of Euros 35,441,000 (31 December 2013: 34,610,000) as referred in note 24.

Additionally, there is an amount of Euros 42,214,000 (31 December 2013: Euros 27,450,000) booked in the loans and advances to customer's portfolio that is fully provided for.

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 securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

57. Discontinued operations

Under the restructuring plan, the Group provides for the sale in the short / medium term operation Banca Millennium S.A. in Romania and Millennium Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A. The total assets and liabilities of these subsidiaries are recognized in the consolidated balance while in the respective lines and the costs and profits for the year are now presented in a single line called profit from discontinued operations.

	Banca Millennium		Millennium bcp Gestão de Activos	
	Jun 2014	Dec 2013	Jun 2014	Dec 2013
	Euros '000	Euros '000	Euros '000	Euros '000
Cash and deposits at credit institutions	56,223	101,631	198	76
Loans and advances to credit institutions	25,023	18,973	2,804	11,846
Loans and advances to customers	416,524	449,051	-	-
Securities and trading derivatives	62,618	39,938	-	1,562
Other assets	23,830	24,352	2,249	2,436
Total assets	584,218	633,945	5,251	15,920
Deposits from Central Banks	-	-	-	-
Deposits from other credit institutions	160,899	189,971	-	-
Deposits from customers	343,438	364,627	-	-
Financial liabilities held for trading	3,385	3,259	-	-
Provisions	196	1,146	-	-
Other liabilities	2,228	2,113	2,035	1,841
Total Liabilities	510,146	561,116	2,035	1,841
Share capital	69,175	67,814	1,000	6,721
Share premium	17,803	17,453	-	-
Reserves and retained earnings	(12,906)	(12,438)	2,216	7,358
Total Equity	74,072	72,829	3,216	14,079
Total Equity and liabilities	584,218	633,945	5,251	15,920

The main items of the income statement, related to these discontinued operations, are analysed as follows:

	Banca Millennium		Millennium bcp Gestão de Activos	
	Jun 2014	Mar 2013	Jun 2014	Mar 2013
	Euros '000	Euros '000	Euros '000	Euros '000
Net interest income	8,199	8,808	25	191
Net fees and commissions income	2,804	2,751	3,532	2,960
Net gains on trading	1,287	2,283	-	-
Other operating income	47	(15)	(2)	2
Total operating income	12,337	13,827	3,555	3,153
Staff costs	5,056	6,643	940	973
Other administrative costs	6,390	7,349	909	1,038
Depreciation	927	1,140	3	-
Other results	12,373	15,132	1,852	2,011
Loans and other assets impairment and other provisions	(1,103)	(2,764)	-	-
Operating loss	(1,139)	(4,069)	1,703	1,142
Net gain from the sale of subsidiaries and other assets	33	-	-	-
Income tax	155	575	(436)	(315)
(Loss) / profit for the period	(951)	(3,494)	1,267	827

58. List of subsidiary and associated companies of Banco Comercial Português Group

As at 30 June 2014 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	17,500,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	17,500,000	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	–
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	202,176,125	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	45,205,149	BRL	Financial Services	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0	100.0	100.0
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BCP África, S.G.P.S., Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
Bitalpart, B.V.	Rotterdam	19,370	EUR	Holding company	100.0	100.0	100.0
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.	Oeiras	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	–
Enerparcela - Empreendimentos Imobiliários, S.A.	Alverca	8,850,000	EUR	Real-estate 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
Adelphi Gere, Investimentos Imobiliários, S.A.	Lisbon	2,550,000	EUR	Real-estate management	100.0	100.0	–
Sadamora - Investimentos Imobiliários, S.A.	Lisbon	1,000,000	EUR	Real-estate management	100.0	100.0	–
Millennium bcp - Prestação de Serviços, A. C. E.	Lisbon	331,000	EUR	Services	93.8	94.3	78.0

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Services	100.0	65.5	–
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	1,000,000	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	1,389,835	USD	Real-estate management	100.0	100.0	–
MBCP REO II, LLC	Delaware	3,209,260	USD	Real-estate management	100.0	100.0	–
Millennium bcp Imobiliária, S.A.	Oeiras	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 Investimentos, 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	–
Irgossai - Urbanização e construção, S.A. (*)	Lisbon	50,000	EUR	Construction and sale of real estate projects	100.0	100.0	100.0

(*) - 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", "Millennium Fundo de Capitalização - Fundo de Capital de Risco", "Funsita - Fundo Especial de Investimento Imobiliário Fechado", "Imoport - Fundo de Investimento Imobiliário Fechado", "Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado" and "Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado", as referred in the accounting policy presented in note 1 b).

As at 30 June 2014 the Banco Comercial Português Group's 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, S.A. (**)	Luxembourg	18,500,000	EUR	Banking	8.8	8.8	–
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	–

(**) - Given the nature of the Group's involvement, the Board of Directors believes that the Group maintains a significant influence on the companies.

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Flitptrell III SA	Lisbon	50,000	EUR	Turism	50.0	50.0	50.0
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	32.8	–
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1	41.1	41.1
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 2014 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	775,002,375	EUR	Holding company	49.0	49.0	–
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	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 2014, it was included in the consolidated perimeter the company Irgossai - Urbanização e construção, S.A.. Addicionaly, in June 2014, the Group sold the investments held in Ocidental – Companhia Portuguesa de Seguros, S.A. and in Médis – Companhia Portuguesa de Seguros de Saúde, S.A.

The Group held a set of securitization transactions regarding mortgage loans, consumer loans 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 IFRS 10.

59. Subsequent events

Increase of the Bank's Share Capital from Euros 1,465,000,000 to Euros 3,706,690,253.08

On 24 July 2014, the above mentioned share capital increase has been registered with the competent Comercial Registry Office on the date hereof. This share capital increase resulted in the issuance of 34,487,542,355 ordinary, registed and book-entry shares, without nominal value, with the issuance price and subscription price of 0.065 euros each. These ordinary shares were offered to the shareholders of Millennium bcp for subscription through the exercise of their pre-emptive subscription rights as foreseen by law.

As such, the current share capital of Millennium bcp is 3,706,690,253.08 Euros, represented by 54,194,709,415 ordinary, book-entry shares without nominal value.

As of the date they are issued, the new ordinary shares will rank equally in all respects with existing ordianry shares and will entitle their holders to the same rights as those of existing shares.

The sale of Banca Millennium (Romania) to OTP Bank

Banco Comercial Português, S.A. ("BCP") signed on 30 July 2014 an agreement with OTP Bank regarding the sale of the entire share capital of Banca Millennium (Romania) ("BMR"). The transaction is subjected to customary condition, in particular to obtaining regulatory approvals.

The aggregate consoderation for the sale of the share capital of BMR was agreed at 39,000,000 Euros. On the date of closing of the sale transaction, OTP Bank will ensure full reimbursement to BCP of the intragroup funding currency provided by BCP to BMR, amounting to approximately 150,000,000 Euros.

The reimbursement to the Portuguese State of 1,850,000,000 Euros in CoCos

Banco Comercial Português, S.A. ("BCP") informed that on 7 August 2014, will repay 1,850,000,000 Euros of common equity tire I capital instruments (CoCos) issued by the Portuguese State, after having received the authorization from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios and as announced during the recent capital increase.

Resolution Fund

On 3 August 2014, the Bank of Portugal has adopted a set of measures in the resolution process of Banco Espírito Santo, SA, which included the capitalization of 4.9 billion euros of a new entity called Novo Banco using the Resolution Fund (FR). Depending on the selling price of the Novo Banco, which must occur within a period of two years, the FR may suffer losses or gains over the amount placed in this entity. As a participant in the Resolution Fund, together with other banks domiciled in Portugal, if the FR suffers losses, the Bank may be asked to perform extraordinary contributions to the future FR, which will be reflected as a charge in the income statement.

Declaration of Compliance

Millennium
bcp

Executive Committee

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the individual and financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the individual and consolidated balance sheets as at 30 June 2014, (ii) the individual and consolidated income statements for the six months ended on 30 June 2014, (iii) the individual and consolidated statement of changes in equity and cash flow statement for the six months ended on 30 June 2014, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 30 June 2014, the individual and consolidated results of their operations, and the individual and consolidated changes in equity and cash flow for the six months ended on that date, in accordance with both the Adjusted Accounting Standards (NCA), as determined by the Banco de Portugal, and with the International Financial Reporting Standards (IFRS), 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 Bank's individual and consolidated financial statements relative to 30 June 2014 were approved by the Board of Directors on 28 August 2014.

Furthermore, it is also declared that the management report of BCP faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the principal risks and uncertainties facing them. The management report was approved by the Board of Directors on 28 August 2014.

Porto Salvo, 28 August 2014

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)

External Auditors' Report

KPMG

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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 2014, of **Banco Comercial Português, S.A.** which includes: the consolidated statement of financial position (with a total assets of Euros 80,440,438 thousand and total equity attributable to the shareholders of Euros 2,660,073 thousand including a consolidated net loss attributable to the shareholders of Euros 62,247 thousand), the consolidated statements of income, comprehensive income, changes in equity and cash flows 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, the consolidated result of its operations, the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash-flows;

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.

d

KPMG

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 We believe that our work provides a reasonable basis to issue the report on the interim consolidated financial information for the six month period ended 30 June, 2014.

Conclusion

7 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 2014, 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, 28 August 2014

Ana Cristina Dourado

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Ana Cristina Soares Valente Dourado (ROC nr. 1011)

Report & Accounts for the first half of 2014

www.millenniumbcp.pt

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Public Company

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Share Capital:
3,706,690,253.08 euros

Registered at
Porto Commercial Registry
under the Single Registration and
Tax Identification number 501 525 882

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