Millennium bcp

Press-Release

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Millennium bcp earnings release for the first half of 2008

- **Consolidated net income of Euro 101 million in the first half of 2008. Excluding the impact of specific items, consolidated net income stood at Euro 265 million;**
- **Net income from international operations, on a comparable basis, excluding the impact of the results in Romania the greenfield operation launched in October 2007, was up by 19% y-o-y;**
- **Operating income in Portugal, before impairment and provisions, excluding specific items, grew by 19% between the first and the second quarters of 2008;**
- **Net interest income increased 10% y-o-y;**
- **Operating costs in Portugal maintained at the same level as in the first half of 2007, on a comparable basis;**
- **Customers' funds up by 10%, with on-balance sheet customers' funds up by 23%, y-o-y;**
- **Customers' funds from international activity rose by 29% y-o-y;**
- **Loans to customers, including securitised loans, up by 13% and mortgage loans increased by 12% y-o-y;**
- **Loans to customers in international operations grew by 43% y-o-y;**
- **Overdue loans by more than 90 days stood at 0.8% of total loans; the coverage ratio increased to 248%, from 238% in the previous quarter;**
- **Solvency ratio, in the scope of Basel II stood at 10.9%.**

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Financial Highlights

Euro million	30 Jun. 08	30 Jun. 07	Change 08 / 07
Total Assets	93,710	85,459	9.7%
Loans to customers (net)	69,534	60,351	15.2%
Total Customers' funds (1)	66,014	59,777	10.4%
Net interest income	841.9	768.8	9.5%
Net operating revenues (2)	1,201.8	1,291.8	-7.0%
Operating costs (3)	817.5	771.4	6.0%
Loan impairment provision (net of recoveries)	205.9	97.8	110.6%
Income taxes	50.2	69.4	-27.6%
Minority interests	33.0	26.5	24.6%
Net income	101.4	307.9	-67.1%
Net income excluding specific items	265.0	373.4	-29.0%
Net operating revenues / Average net assets (4)	2.7%	3.2%	
Return on average assets (ROA) (5)	0.5%	0.9%	
Income before taxes and minority interests / Average net assets (4)	0.4%	1.0%	
Return on average equity (ROE) (5)	12.1%	18.7%	
Income before taxes and minority interests / Average equity (4)	8.8%	20.5%	
Overdue loans/ Total loans (4)	1.1%	1.1%	
Overdue loans, net / Total loans, net (4)	-0.8%	-0.8%	
Impairment for loans losses / Overdue loans by more than 90 days	248.0%	245.2%	
Impairment for loan losses / Overdue loans	201.6%	209.9%	
Operating costs / Net operating revenues (4) (5)	59.4%	55.9%	
Operating costs / Net operating revenues (Portugal) (4) (5)	55.8%	52.8%	
Staff costs / Net operating revenues (4) (5)	33.4%	31.5%	
Total regulatory capital (6)	7,311	6,057	
Risk-weighted assets (6)	66,862	57,442	
Tier I Solvency ratio (6)	7.5%	6.1%	
Total Solvency ratio (6)	10.9%	10.5%	
Branches			
Portugal	914	867	5.4%
Foreign activity	798	650	22.8%
Employees			
Portugal	10,810	10,844	-0.3%
Foreign activity	11,299	9,291	21.6%

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

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

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

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

(5) Excludes the impact of one-off items.

(6) Indicators for 30 June 2008 determined in the scope of Basel II. Indicators for 30 June 2007 determined in scope of Basel I and recalculated in accordance with the restatement of consolidated financial statements.

Commenting on Millennium bcp's earnings for the first half of 2008, Mr. Carlos Santos Ferreira, Chairman of the Executive Board of Directors, highlighted the importance of "*the implementation, in line with our defined timetable, of the Bank's strategic programme, specifically: pricing, risk and capital management discipline reinforcement; even greater commercial dynamism; strengthening our customer relationships – the Millennium Meetings and the opening of new branches are two good examples of this; streamlining the organisation to further improve efficiency; and the conclusion of the Bank's evaluation of its assets and operations portfolio*."

Commenting on the impact of the current economic and financial environment, he said that "*naturally the banking sector worldwide is being particularly hit by the volatility and current difficulties of the financial markets, but it is also important to note that the Bank benefits from not having exposure to subprime businesses and from the Portuguese real estate market not suffering from the unbalances seen in the USA and in other European countries*."

The Chairman also highlighted "*the encouraging growth of business volumes, particularly customer deposits, which grew 21% and contributed to the 10% increase in total customer funds, as well as credit granted, which increased 13%*." Commenting on the profitability of the Group, he said that "*consolidated net income amounted to Euro 265 million – excluding the impact of, essentially, the impairment losses from the stake in BPI - and benefited from the 10% growth in net interest income and from cost control in Portugal. Net income was negatively influenced by the volatility of capital markets, which also led to the greater provisioning efforts associated to the depreciation of financial collateral*."

Mr. Carlos Santos Ferreira went on to say that: "*In Portugal the Bank has seen improvements at the operational earnings level, while our international operations continue to show a good performance with net income increasing 19% in the first half of 2008, excluding the impact of the operation we launched in Romania. In Angola we signed a partnership agreement with Sonangol and BPA which involves the acquisition by these parties of 49.9% of the share capital of Banco Millennium Angola, so strengthening its identity and ability to act as a reference institution in the development of the Angolan financial sector and economy*."

He also said that: "*the Bank developed efforts during the first half of 2008 in preparing a way to resolve the litigation issues with small investors which have resulted from these investors acquiring or subscribing for BCP shares in 2000 and 2001. As a result, a mediation process, which includes the participation of the Portuguese Securities Market Commission, was announced at the end of June. This initiative is a direct response to an issue which has affected the reputation of the Bank and which the Executive Board of Directors intends to overcome.*"

To conclude, Mr. Carlos Santos Ferreira emphasised: "*the commitment of the Bank to continuing to implement its strategic programme, with the first results of the efficiency and profitability initiatives beginning to be seen both in Portugal and in our international operations*."

SIGNIFICANT EVENTS

The execution of the Millennium 2010 Programme saw the integration and streamlining of a number of Central Services areas and an increase in the internal migration of employees with the release of many employees to Millennium bcp's commercial networks. It also led to even greater efforts to attract customers and to improve service levels; to the expansion of retail operations in markets with significant potential; and to strict capital management after BCP's rights issue. Of particular note regarding Millennium bcp's activity in the second quarter of 2008 were:

- The signature of a strategic partnership agreement with Sonangol and Banco Privado Atlântico, S.A., which foresees Sonangol taking an indicative qualified stake in the share capital of BCP. The partnership also contemplates the acquisition of 49.9% of the share capital of Banco Millennium Angola by Sonangol and by Banco Privado Atlântico through a share capital increase to be subscribed in cash. Under the terms of the agreement, Banco Millennium Angola will also acquire a 10% stake in the share capital of Banco Privado Atlântico;

- The conclusion, in April 2008, of Banco Comercial Português' rights issue which amounted to Euro 1.3 billion. The rights issue strengthened the Bank's capital levels and was more than 2 times oversubscribed;
- A Covered Bonds issue, of Euro 1.0 billion, and a senior debt issue, of Euro 1.25 billion, concluded in May 2008;
- Launching of the third phase of PDCC (Programme of Commercial Competences Development), essential for fulfilling the efficiency increase objectives, as well as providing a professional growth opportunity for employees;
- Millennium operation in Poland reached the historical mark of 1 million active Retail customers;
- Millennium Meetings have taken place in Algarve, in Castelo Branco district and in Porto (already in July). These Meetings aim to reinforce Millennium bcp's commitment to its customers, investors and the society;
- Launching by Millennium bcp's institutional site of new multimedia content that enables customers to have online access to financial markets, as well as, new functions for Millennium bcp's Mobile Banking service, making available new highlights and more direct and immediate access to Mobile SMS, Mobile Web and Mobile PDA services;
- Presentation by Millennium bcp and by ISA – Intelligent Sensing Anywhere, a technology company of the "ISA – Millennium bcp award", for entrepreneurship;
- Election for the 7th year in a row of the institutional site of Millennium bcp as the "Best Online Banking Site" by the readers of PC Guia magazine;
- APCE - Associação Portuguesa de Comunicação de Empresa - award granted to Millennium bcp in the category of best "Management Report", regarding the 2006 Annual Report and Accounts, for the second consecutive year. In this field, Millennium bcp also won the "Great Corporate Communication Award" in 2007;
- Election of Millennium bcp and Médis, for the 4th consecutive year, as "Excellence Brands" by Superbrands in its 2008 edition;
- Election of Millennium bank in Poland as the fourth best company to work for in Poland, according to a study performed by the International Student Organization – AIESEC;
- In research conducted in Poland by the "Rzeczpospolita" Polish newspaper, Millennium bank in Poland stands in 9th position in the annual ranking;
- Award to Millennium bank in Poland of "2008 Market Leader" and " 2008 Euro Leader" in the "Market Leader" competition;
- Granting to Millennium bank in Greece of the award "2007 EUR Straight - Through Processing Excellence Award", as recognition of its service quality;
- Already in July, election of Millennium bcp for the 4th year in a row as "World's Best Investment Bank" in Portugal by Global Finance magazine.

FINANCIAL REVIEW

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

Financial statements as at 30 June 2007 have been restated so as to be comparable with 30 June 2008. As at 30 June 2007, the consolidated financial statements include the adjustment of Euro 300 million in the Shareholders' equity, in Reserves and retained earnings.

Millennium bcp's **consolidated net income** totalled Euro 265.0 million in the first half of 2008, excluding the impact of the accounting of impairment losses amounting to Euro 176.9 (net of tax), mainly due to the devaluation of the shareholding in Banco BPI and the reduction in the variable remuneration accrued in 2007 by Euro 13.2 million (net of tax).

Consolidated net income in the first half of 2008 was favourably influenced by the positive evolution of net interest income, from the first half of 2007, due to the good performance of the franchise in Portugal and of the international operations. Nevertheless, net income was adversely affected by the negative impact of net trading income, driven by the drop and volatility of capital markets which determined the accounting of impairment for financial assets, and also by the higher level of impairment charges for loan losses (net of recoveries).

Consolidated net income benefited from the performance of international operations, supported by the rise in income items, in particular in net interest income and net commissions, benefiting from the greater business volumes in several international operations. Upper income was partly offset by the higher costs associated with the expansion plans carried out, in particular costs related to the reinforcement of the number of employees and related to rent and advertising. Excluding the impact of the activity in Romania, the greenfield operation launched at the end of 2007, the increase in net income from international activity would be 18.5%.

Net interest income totalled Euro 841.9 million in the first half of 2008, an increase of 9.5% from Euro 768.8 million in the same period of 2007. The performance of net interest income was boosted by the positive volume effect, determined by the growth in business volumes in both loans to customers and customers' deposits, benefiting from activity in Portugal and from international activity. The positive volume effect more than offset the adverse interest rate effect, as a result of narrow interest margins, influenced by strong competitiveness in the banking sector and by the financial markets environment, determined by continuing restrictive access to sources of funding implying higher funding costs. Net interest margin in the first half of 2008 stood at 2.06%, compared to 2.15% in the first half of 2007. Quarterly, net interest margin showed a slight recovery from 2.05% in the first quarter of 2008 to 2.07% in the second quarter of 2008.

Net interest income was also influenced by the management of assets and liabilities, which in the context of difficult conditions of interbank markets, led to the repricing of credit operations by the Group, aimed to adjust loans granted to the market framework and to align it with the increase of funding costs. At the same time, several initiatives were implemented aimed at improving commercial dynamism, focused on maintaining and further increasing traditional customers' funds, benefiting from the growing demand from customers with risk aversion for financial products with lower exposure to capital markets volatility.

AVERAGE BALANCES

Euro million	30 Jun. 08		30 Jun. 07	
	Balance	**Yield %**	**Balance**	**Yield %**
Deposits in banks	7,778	5.82	7,961	4.89
Financial assets	5,637	5.59	5,573	5.23
Loans and advances to customers	67,324	6.25	57,966	5.83
Interest earning assets	80,739	6.16	71,500	5.68
Non interest earning assets	9,345		9,537	
	90,084		81,037	
Amounts owed to credit institutions	10,184	6.52	11,791	4.90
Amounts owed to customers	40,027	2.96	33,596	2.32
Debt securities	29,014	4.43	24,933	4.02
Subordinated debt	2,959	5.87	2,926	5.48
Interest bearing liabilities	82,184	4.03	73,246	3.44
Non interest bearing liabilities	2,686		2,777	
Shareholders' equity and minority interests	5,214		5,014	
	90,084		81,037	
Net interest margin (1)		2.06		2.15

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

Net commissions amounted to Euro 367.7 million in the first half of 2008, compared with Euro 294.4 million in the same period of 2007. Excluding the impact of commissions accounted in 2007 related to the general tender offer for the acquisition of Banco BPI, in the amount of Euro 88.7 million, net commissions reduced by 4.0%. Net commissions were favourably influenced by commissions associated with the cards business, which showed an increase of 11.2% from the first half of 2007. Commissions associated with credit operations also favourably influenced the evolution of net commissions by growing 5.7% in the same period. The lower level of commissions related to asset management and securities restricted the growth of net commissions compared with the first half of 2007. Nevertheless, quarterly, it performed favourably with an increase of 34.7% between the first quarter and the second quarter of 2008, partly influenced by the Bank's capital increase in April. This evolution benefited from the strategy of diversification adopted in terms of asset management, in particular the growing weight of real estate investment funds in the total portfolio of assets under management. Other commissions included, in 2007, the accounting of costs related to the general tender offer for the acquisition of Banco BPI, previously mentioned. In international operations, net commissions increased 12.4%, boosted by the positive performances seen by most international operations, in particular in Poland and Greece.

Net trading income includes net gains arising from trading and hedging activities and net gains arising from available for sale financial assets. In the first half of 2008, net trading income saw a loss of Euro 114.2 million, strongly determined by the accounting of impairment losses amounting to Euro 203.9 million, essentially related to the devaluation of the shareholding in Banco BPI and also by the adverse evolution of the capital markets.

Other net operating income comprises other operating income, other net income from non banking activities and gains from the sale of subsidiaries and other assets. Other net operating income amounted to Euro 48.6 million in the first half of 2008, compared with Euro 52.2 million booked in the same period of 2007. This change was influenced by the reduction of income accounted in this item line compared with the simultaneous reduction of expenses booked.

Dividends received in the first half of 2008 totalled Euro 29.3 million, compared to Euro 22.6 million in the first half of 2007, mostly related to the shareholdings in Eureko and Banco BPI.

Equity accounted earnings mostly comprise the earnings appropriation of the 49% shareholding in the insurance company Millenniumbcp Fortis. In the first half of 2008 equity accounted earnings stood at Euro 28.4 million, compared with Euro 29.7 million accounted in the same period of 2007.

OTHER INCOME

Euro million	1H 08	1H 07	Change 08/07
Net commissions			
Cards	89.8	80.8	11.2%
Asset management and securities	113.6	132.5	-14.3%
Credit operations	72.3	68.4	5.7%
Other	92.0	12.7	624.5%
	367.7	294.4	24.9%
Net trading income	(114.2)	124.2	
Other net operating income	48.6	52.2	-6.9%
Dividends	29.3	22.6	29.8%
Equity accounted earnings	28.4	29.7	-4.4%
Total other income	359.8	523.1	-31.2%
Other income / Net operating revenues (1)	29.9%	40.5%	

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

Operating costs (staff costs, other administrative costs and depreciation) stood at Euro 817.5 million in the first half of 2008, up by 6.0% from Euro 771.4 million in the same period of 2007. The evolution of operating costs was determined by the 26.6% growth in international operations, as a result of the expansion plans carried out in the several markets, in particular in Poland, Romania end Greece. In Portugal, operating costs were down by 3.0%, supported by the reduction of staff costs and by the control of other administrative costs, despite the increase in the number of branches. This is in line with the strategic priority defined in the Millennium 2010 Programme of simplifying the Bank' structure and procedures to enable it to operate with a lower cost base and achieve superior efficiency levels.

Staff costs totalled Euro 451.5 million in the first half of 2008, including the reduction of Euro 18.0 million in the first quarter of 2008 in the variable remuneration accrued in 2007. Staff costs increased 3.7% from Euro 435.5 million in the first half of 2007, mostly due to the 27.3% growth in the international activity, related to the additional 2,008 employees in international operations, in particular in Poland, simultaneously with the implementation of the branch expansion plan. In 31 May 2008, the total number of employees in the international operations exceeded, for the first time, the number of employees in Portugal. As at 30 June 2008 the total number of employees in the international activity was 11,299 employees and in Portugal was 10,810 employees. In Portugal, it is worth mentioning the measures implemented as part of the Millennium 2010 Programme aimed at transferring employees from support areas to the commercial network.

Other administrative costs amounted to Euro 311.8 million in the first half of 2008, an increase of 10.2% from Euro 282.9 million booked in the same period of 2007, reflecting the growth in administrative costs in the international activity, in particular in Poland and in Romania, specially costs related to rents and advertising. In Portugal the emphasis was on cost control, with other administrative costs of Euro 189.7 million in the first half of 2008, compared with Euro 188.2 million in the first half of 2007, showing a reduction in most item lines other than costs associated with advertising and other specialised services.

Depreciation reached Euro 54.2 million in the first half of 2008, slightly above the same period last year (Euro 53.0 million), mainly due to the increase of depreciation accounted in the international activity, following the higher level of investment associated with the expansion plans, previously mentioned.

OPERATING COSTS

Euro million	1H 08	1H 07	Change 08/07
Staff costs	451.5	435.5	3.7%
Other administrative costs	311.8	282.9	10.2%
Depreciation	54.2	53.0	2.2%
	817.5	771.4	6.0%
Of which:			
Activity in Portugal	521.8	537.8	-3.0%
Foreign activity	295.7	233.6	26.6%
Operating costs / Total income (1) (2)	55.8%	52.8%	

(1) Activity in Portugal. Calculated according to rule 16/2004 from the Bank of Portugal.
(2) Excludes the impact of one-off items.

Impairment for loans losses (net of recoveries) amounted to Euro 205.9 million in the first half of 2008. Impairment for loans losses (net of recoveries) were influenced by the combination of two factors: the increase in the volume of loans to customers, boosted by the activities in Portugal as well as in the international business, and by the lower level of credit recoveries from the first half of 2007. The higher impairment charges, in the first half of 2008, were also a result of impairment indicators in the loan portfolio and the devaluation in financial collateral, due to the conditions in financial markets. The provisioning effort, measured as the proportion of impairment charges, net of recoveries, in the total loans to customers, stood at 58 b.p..

Loans to customers (including securitisation) reached Euro 73,687 million as of 30 June 2008, 13.0% up from Euro 65,228 million accounted as of 30 June 2007, boosted by the performances of loans to individuals, in particular mortgage loans (+12.1%), and of loans to companies which rose by 14.1% from 30 June 2007. The higher volume of loans to customers was supported by both loans to customers granted in Portugal and in the international operations. In Portugal, loans to customers grew 7.8%, supported by loans to companies (+10.0%) and by mortgage loans (+5.3%). In the international activity, loans granted to customers increased by 42.9%, sustained by the performances achieved in most international operations, in particular in Poland and Greece. The growth of loans to customers in Poland was mainly influenced by mortgage loans, when in Greece the most significant increase was in loans to companies.

LOANS TO CUSTOMERS [1]

Euro million	30 Jun. 08	30 Jun. 07	Change 08 / 07
Individuals			
Mortgage loans	29,776	26,555	12.1%
Consumer loans	4,797	4,383	9.5%
	34,573	30,938	11.8%
Companies			
Services	12,704	10,876	16.8%
Commerce	5,318	4,816	10.4%
Other	21,092	18,598	13.4%
	39,114	34,290	14.1%
Total	**73,687**	**65,228**	13.0%
Of which:			
Activity in Portugal	59,960	55,622	7.8%
Foreign activity	13,727	9,606	42.9%

(1) Includes securitised loans.

Credit quality, determined by the non-performing loans indicators, was stable from 30 June 2007, with the ratio of overdue loans by more than 90 days standing at 0.8% of total loans. The coverage ratio showed a favourable evolution, from 238.1% as of 31 March 2008 to 248.0% as of 30 June 2008.

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AT 30 JUNE 2008

Euro million	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans more than 90 days / Total Loans	Coverage ratio
Individuals				
Mortgage loans	91	222	0.3%	243.5%
Consumer loans	114	182	2.4%	159.4%
	205	404	0.6%	196.8%
Companies				
Services	46	292	0.4%	634.5%
Commerce	60	159	1.1%	263.1%
Other	226	476	1.1%	211.7%
	332	927	0.8%	279.7%
Total	**537**	**1,331**	**0.8%**	**248.0%**

Total customers' funds amounted to Euro 66,014 million as of 30 June 2008, showing a growth of 10.4% from Euro 59,777 million in the same date of 2007. The rise in total customers' funds was determined by the 22.8% increase on-balance sheet customers' funds, partly related to the capital market instability and also by the increase in markets interest rates, leading to the transfer of funds to products with lower risk and attractive return, as traditional term deposits. Off-balance customers' funds decreased by 14.7%, due to the performance of assets under management, impacted by the unfavourable conditions in the financial markets, partly offset by the growth of 10.1% in capitalisation insurance. However, it should be noted that the decrease of asset under management in the second quarter of 2008 represents a slowdown compared with the decreases that have been seen in the previous quarters, corresponding to around 40% of the reduction in the first quarter of 2008. The performance of total customers' funds reflects the performances reached by both the activity in Portugal and the international activity, with growths of 6.4% and 28.6%, respectively.

TOTAL CUSTOMERS' FUNDS

Euro million	30 Jun. 08	30 Jun. 07	Change 08 / 07
Balance sheet customers' funds			
Deposits	41,964	34,624	21.2%
Debt securities	7,211	5,420	33.0%
	49,175	40,044	22.8%
Off-balance sheet customers' funds			
Assets under management	6,887	10,697	-35.6%
Capitalisation insurance	9,952	9,036	10.1%
	16,839	19,733	-14.7%
Total	**66,014**	**59,777**	10.4%
Of which:			
Activity in Portugal	52,052	48,918	6.4%
Foreign activity	13,962	10,859	28.6%

The capital ratios of the BCP Group as of 30 June 2008 were determined in accordance with Basel II framework, were capital requirements calculation followed the standard approach in respect to credit risk and the basic indicator approach for the operational risk.

In the scope of Basel II was timely filed with the Bank of Portugal a formal request, which is currently in analysis, regarding the use of the internal ratings based approach for credit risk and the internal models approach for the general market risk requirements, as well as, the standard approach for calculating operational risk requirements.

The **solvency ratio** as at 30 June 2008 stood at 10.9% and Core Tier I at 6.1%. The evolution of **solvency ratio** between 31 March 2008 and 30 June 2008 reflects: (i) the Bank's capital increase with an impact of Euro 1,267 million, leading to a positive effect in the Core Tier I ratio in 194 b.p.; (ii) the devaluation registered in the shareholding in Banco BPI, between 31 March 2008 and 30 June 2008, which determined a potential net loss of Euro 44 million, negatively affecting the Core Tier I ratio in 6 b.p.; (iii) the organic capital generation, with a positive contribution of Euro 87 million, between 31 March 2008 and 30 June 2008, leading to an increase of Core Tier I ratio by 3 b.p.; (iv) the increase of Core Tier I, determined by the capital increase, reflecting the additional capability to recognize tax assets in this heading, despite the unfavourable impact of IFRS transition, leading to an additional improvement of 18 b.p. in Core Tier I.

SOLVENCY

Euro million	Basel II		Basel I (1)
	30 Jun. 08	**31 Mar. 08**	**30 Jun. 07**
Tier I Capital			
Core	4,093	2,637	2,789
Preference shares	946	685	720
Total	5,039	3,322	3,509
Tier II Capital			
Subordinated debt	2,305	2,532	2,627
Deductions	(33)	(26)	(79)
Total	2,272	2,506	2,548
Total Regulatory Capital	7,311	5,828	6,057
Risk Weighted Assets	66,862	65,299	57,442
Bank of Portugal ratios			
Core Tier I	6.1%	4.0%	4.9%
Tier I	7.5%	5.1%	6.1%
Tier II	3.4%	3.8%	4.4%
Total	10.9%	8.9%	10.5%

(1) Indicators as at 30 June 2007 were recalculated, in accordance with the restatement of consolidated financial statements.

SEGMENTAL REPORTING

Millennium bcp offers a wide range of banking activities and financial services in Portugal and abroad, with special focus on Commercial Banking, Investment Banking and on Private Banking and Asset Management.

SEGMENTS DESCRIPTION

The strategic approach of Retail Banking in Portugal is to target "mass market" customers, who appreciate a value proposition based on innovation and speed, and "prestige" and "business" customers, who as a result of their specific interests, financial assets or income require a value proposition based on innovation and personalisation and a dedicated Account Manager. Retail Banking comprises also ActivoBank7, a universal Bank, which maintains a focus on brokerage and on the selection and counselling of long-term investment products. Within the scope of the Group's cross-selling strategy, Retail Banking acts as a distribution channel for financial products and services of Millennium bcp as a whole.

The Corporate and Companies segment includes the Corporate network in Portugal, dedicated to corporate and institutional customers with an annual turnover in excess of Euro 100 million, providing a complete range of value added products and services, and the Companies network in Portugal, which covers the financial needs of companies with an annual turnover between Euro 7.5 million and Euro 100 million, focused on innovation and on an overall offer of traditional banking products complemented by specialised financing, and also the International Division.

The Investment Banking business is undertaken essentially by Millennium investment banking, which develops activities in capital markets, in providing strategic and financial advisory, specialised financial services – project finance, corporate finance, securities brokerage and equity research – and in structuring risk-hedging derivatives products.

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

The Foreign Business comprises several operations carried out outside Portugal, namely in Poland, Greece, Turkey, Romania, Mozambique, Angola and United States. In Poland the Group is represented by a universal bank, and in Greece by an operation based on the innovation of products and services. The activity in Turkey is performed through an operation focused on the provision of financial advice, and in Romania it is represented by a greenfield operation, which started its activity in 2007, focusing on the following segments: mass market and business, companies and affluent. All these operations develop their activities under the same commercial brand of Millennium bank. The Group is also represented in Mozambique by Millennium bim, a universal bank targeting both companies and individual customers, in Angola by Millennium Angola, a bank focused on individual customers and public and private sector companies and institutions, and in the United States by Millennium bcpbank, a local bank that serves the local population, namely, the Portuguese community.

BUSINESS SEGMENT ACTIVITY FOR THE FIRST HALF OF 2008

The figures reported for each segment result from combining subsidiaries and business units and include the impact of capital allocation and a balancing process for each entity in the balance sheet and in the profit and loss account, based on average figures.

Balance sheet headings for each subsidiary / business unit were re-calculated, through capital allocation, according to regulatory solvency criteria. Each operation is balanced through internal transfers of funds, which does not impact consolidated figures.

Each segment's net contribution included the impact of the transfers mentioned above and reflected the individual results of business units, independently from the percentage held by the Group, including the impacts of the transfers of funds.

The following information is based on financial statements prepared according to IFRS and to the organisational model for Millennium bcp's business areas.

To ensure comparability, one-off items were excluded and structural changes occurred during 2007 and in the first quarter of 2008 were reflected in the segments as of 30 June 2007. These changes resulted mainly from the allocation of Banco de investimento imobiliário business to each business area that manage the respective customers (Retail Banking, Corporate and Companies, and Private Banking and Asset Management) and the allocation of securities portfolios to new owners, in particular to the Corporate and Companies segment and the Corporate Areas, previously included in the Investment Banking segment. The Bank also implemented liquidity premiums to the business areas, since the beginning of 2008, in order to reflect properly the contractual maturities of transactions into the internal prices associated with the respective funds transference.

Considering that, the process of capital allocation should follow the regulatory criteria of solvency in place, the risk weighted assets and, consequently, the business segments' capital allocation, were determined in accordance with the Basel II framework for 2008 figures and in accordance with the Basel I for 2007.

Retail Banking in Portugal

The net contribution of Retail Banking in Portugal stood at Euro 166.2 million in the first half of 2008 compared to Euro 190.4 million in the same period of 2007, driven by the decrease in total income and by higher impairment and provisions charges. The decrease in total income was determined by smaller net commissions, in particular commissions related to mortgage loans due to the decrease in the amount of new loans granted and to the regulatory limits on early amortizations of mortgage loans introduced in the second quarter of 2007. The return on allocated capital stood at 30.9% at the end of the first half of 2008.

Customers' funds rose 1.7%, totalling Euro 34,691 million at 30 June 2008, compared to Euro 34,110 million at 30 June 2007. This performance reflects the retail segment value proposition, focused on the launch of investment and savings products with attractive returns and adapted to the clients' risk profiles.

Loans to customers grew by 6.8%, from Euro 32,160 million at 30 June 2007 to Euro 34,356 million at 30 June 2008, determined by the growth in mortgage loans and by the innovative offer of products and services tailored to the customers needs.

Euro million	Basel II			Basel I	Change 08 / 07
	1Q 08	2Q 08	1H 08	1H 07	
Profit and loss account					
Net interest income	242.7	224.5	467.2	474.7	-1.6%
Other net income	95.8	104.9	200.7	212.6	-5.6%
	338.5	329.4	667.9	687.3	-2.8%
Operating costs	181.2	193.9	375.0	370.0	1.4%
Impairment and provisions	41.9	24.4	66.3	58.3	13.7%
Contribution before income taxes	115.4	111.2	226.6	259.0	-12.5%
Income taxes	30.6	29.7	60.3	68.6	-12.1%
Net contribution	84.8	81.4	166.2	190.4	-12.7%
Summary of indicators					
Allocated capital	1,061	1,105	1,083	1,150	
Return on allocated capital	32.2%	29.5%	30.9%	33.4%	
Risk weighted assets	21,352	21,639	21,639	23,437	
Cost to income ratio	53.5%	58.9%	56.2%	53.8%	
Loans to customers	34,099	34,356	34,356	32,160	6.8%
Total customers' funds	34,237	34,691	34,691	34,110	1.7%

Corporate and Companies

The net contribution of the Corporate and Companies business segment stood at Euro 61.5 million in the first six months of 2008, down from Euro 115.1 million in the same period of 2007. The net contribution benefited from the rise in net interest income (+7.3%), driven by the growth in business, both of loans and deposits, backed by the dynamism of the commercial activity. This performance reflects the focus on the acquisition and retention of customers' funds and on the improvement of the quality of the loan portfolio, in order to match the pricing of the operation to the corresponding cost of risk. However, the improvement both in net interest income and in operating costs was not sufficient to offset the decrease in commissions and the rise in impairment charges, compared with the same period of the previous year. The higher impairment charges in 2008 were a result of impairment indicators in the loan portfolio and, in particular, the devaluation in financial collateral, due to the conditions in the financial markets. The return on allocated capital stood at 9.7% as at 30 June 2008.

Total customers' funds reached Euro 11,676 million at 30 June 2008, up 50.3% from Euro 7,770 million for the same date in 2007. The performance of total customers' funds was led by the rise of institutional customer funds. This was supported by a commercial drive centred on the identification of business opportunities and the planning and offering of diversified savings and investments options, aimed at maximizing value creation and customers' satisfaction, notwithstanding the intense competitive framework in this business segment.

Loans to customers reached Euro 22,347 million at 30 June 2008, up 10.0% compared to Euro 20,312 million at 30 June 2007. It should be emphasised that the growth in loans was achieved within the context of increasing restrictions in the access to financing sources and more selective credit approvals, which required additional discipline in prices and resulted in the revaluation and repricing of operations in line with the related cost of risk and capital needs.

Euro million	Basel II			Basel I	Change 08 / 07
	1Q 08	2Q 08	1H 08	1H 07	
Profit and loss account					
Net interest income	84.1	81.9	166.0	154.6	7.3%
Other net income	32.7	38.1	70.8	73.6	-3.8%
	116.8	120.0	236.8	228.2	3.8%
Operating costs	27.1	26.9	54.0	56.9	-5.0%
Impairment and provisions	13.0	86.1	99.1	14.7	--
Contribution before income taxes	76.6	7.1	83.7	156.6	-46.6%
Income taxes	20.3	1.9	22.2	41.5	-46.6%
Net contribution	56.3	5.2	61.5	115.1	-46.6%
Summary of indicators					
Allocated capital	1,228	1,317	1,272	1,277	
Return on allocated capital	18.4%	1.6%	9.7%	18.2%	
Risk weighted assets	24,560	25,446	25,446	26,086	
Cost to income ratio	23.2%	22.4%	22.8%	24.9%	
Loans to customers (1)	22,074	22,347	22,347	20,312	10.0%
Total customers' funds	10,778	11,676	11,676	7,770	50.3%

(1) Includes commercial paper.

Investment Banking

The investment banking business segment showed a net contribution of Euro 27.0 million in the first half of 2008, compared to Euro 44.5 million in the same period of 2007, conditioned by the persistent unfavourable macroeconomic environment and the poor performance of the financial markets. This put a downward pressure on net interest income and commissions and caused a decline in net trading income, which was in part offset by the improvement in operating costs.

Loans to customers increased by 12.8% year on year, driven by the involvement of Millennium investment banking in project finance and structured finance operations, related to important structuring investments, in particular financing projects in tourism and renewable energies.

Despite the adverse environment in the capital markets, Millennium investment banking participated in several major transactions, in particular as global coordinator for the "EDP Renováveis" offering, which gathered strong interest from a broad base of investors, as well as the organisation and structuring of new operations for customers in the debt segment, which resulted in the issuance of a significant amount of bonds and commercial paper.

Euro million	Basel II			Basel I	Change 08 / 07
	1Q 08	2Q 08	1H 08	1H 07	
Profit and loss account					
Net interest income	2.0	2.0	4.0	7.0	-43.1%
Other net income	26.4	32.1	58.5	75.8	-22.9%
	28.4	34.1	62.5	82.8	-24.6%
Operating costs	13.5	12.1	25.6	26.0	-1.6%
Impairment and provisions	(2.7)	1.8	(0.8)	0.1	--
Contribution before income taxes	17.5	20.2	37.7	56.7	-33.6%
Income taxes	4.6	6.1	10.7	12.2	-12.5%
Net contribution	12.9	14.1	27.0	44.5	-39.4%
Summary of indicators					
Allocated capital	106	134	120	111	
Return on allocated capital	49.0%	42.4%	45.3%	80.9%	
Risk weighted assets	2,394	2,364	2,364	2,534	
Cost to income ratio	47.7%	35.4%	41.0%	31.4%	
Loans to customers	943	957	957	849	12.8%

Private Banking and Asset Management

The net contribution of the Private Banking and Asset Management segment reached Euro 12.8 million in the first six months of 2008 (Euro 20.1 million in the same period of 2007). This performance was determined by higher impairment charges and provisions and by the decrease in commissions related to asset management. This more than offset the 33.8% increase in net interest income, supported both by the growth in loans to customers and by the increase in the spreads due to the repricing of operations. The return on allocated capital stood at 22.8% at the end of the first half of 2008.

The evolution of assets under management was strongly affected by the poor performance of the capital markets, showing a decline of 18.1% from 30 June 2007 to 30 June 2008, mainly determined by the performance of unit trust funds. However, in the second quarter of 2008 there was a slowdown in the decline of investment funds volumes recorded in previous quarters, in part due to the favourable performance of real estate investment funds, supported by a strong commercial dynamism. This was complemented by the rise of term deposits in the Private Banking network in Portugal, which posted an increase of 20.2% from 30 June 2007.

Loans to customers increased 25.3%, totalling Euro 3,493 million at 30 June 2008, mainly due to the growth of 42.5% in loans granted by Millennium Banque Privée, which resulted from the effort to expand the business base.

Euro million	Basel II			Basel I	Change
	1Q 08	2Q 08	1H 08	1H 07	08 / 07
Profit and loss account					
Net interest income	14.0	14.2	28.2	21.1	33.8%
Other net income	14.7	13.9	28.6	36.7	-22.1%
	28.7	28.0	56.8	57.8	-1.8%
Operating costs	13.9	15.0	28.9	29.0	-0.3%
Impairment and provisions	6.9	5.2	12.2	4.1	197.0%
Contribution before income taxes	7.9	7.8	15.7	24.7	-36.5%
Income taxes	0.9	1.9	2.9	4.6	-36.8%
Net contribution	6.9	5.9	12.8	20.1	-36.4%
Summary of indicators					
Allocated capital	112	113	113	121	
Return on allocated capital	24.8%	20.8%	22.8%	33.6%	
Risk weighted assets	2,278	2,242	2,242	2,463	
Cost to income ratio	48.5%	53.4%	50.9%	50.2%	
Loans to customers	3,412	3,493	3,493	2,788	25.3%
Assets under management	13,419	13,048	13,048	15,922	-18.1%

Foreign Business

The net contribution of the Foreign Business segment increased to Euro 84.1 million in the first half of 2008, up 10.9% from Euro 75.8 million in the same period of 2007. This performance was boosted by the sustained improvement in income, both of net interest income and other net income. The increase in operating costs resulted from the increase in the number of employees and from the expansion of the commercial networks in the markets of higher potential. The higher impairment charges and provisions are related to the significant growth in business.

The cost to income ratio stood at 69.4%, determined by a higher growth in operating costs than in income. This was supported by the expansion of the international activity, in particular in Poland, Greece, Mozambique, Angola and, most recently in Romania through the launch of a greenfield operation at the end of 2007.

Loans to customers increased 43.7%, reaching Euro 13,481 million at 30 June 2008, boosted both by loans to individuals and to companies, benefiting from an innovative and competitive offer, based on the launch of products and services suited to needs of the different local markets. The performances achieved in Poland and Greece, and to a lesser extend in the remaining foreign operations, contributed to the growth in loans to customers.

Total customers' funds grew by 27.7%, totalling Euro 13,961 million at 30 June 2008, led by the increases in Poland and in Greece, reflecting the good performances showed both by customers deposits and off balance sheet customers' funds

Euro million	Basel II			Basel I	Change 08 / 07
	1Q 08	2Q 08	1H 08	1H 07	
Profit and loss account					
Net interest income	114.0	126.2	240.3	188.1	27.7%
Other net income	86.7	98.9	185.6	159.4	16.5%
	200.8	225.1	425.9	347.5	22.6%
Operating costs	138.8	156.9	295.7	233.6	26.6%
Impairment and provisions	11.2	11.7	22.9	19.4	18.1%
Contribution before income taxes	50.7	56.5	107.2	94.5	13.5%
Income taxes	10.5	12.6	23.1	18.6	23.8%
Net contribution	40.3	43.9	84.1	75.8	10.9%
Summary of indicators					
Allocated capital	809	1,072	941	710	
Return on allocated capital	20.0%	16.4%	18.0%	21.6%	
Risk weighted assets	12,657	13,213	13,213	9,105	
Cost to income ratio	69.1%	69.7%	69.4%	67.2%	
Loans to customers	12,440	13,481	13,481	9,379	43.7%
Total customers' funds	12,570	13,961	13,961	10,931	27.7%

ECONOMIC ENVIRONMENT

The economic landscape continues to be characterized by the heightened level of uncertainty, by the persistent climate of risk aversion and by the volatile performance of the major financial markets. The spread of second wave effects stemming from the ongoing financial crisis and higher fuel prices to other sectors of the economy and developing countries makes a recovery for the world economy unlikely in the near term. Increasing fuel and food prices, sustained by the short run impediments to increasing production and financial portfolio diversification, have surprised in both their speed and resiliency, hampering the consumers' purchasing power and damaging companies' future profit margins. Though these developments are expected to create the conditions for softer economic activity ahead, for the time being, either due to automatic indexation charters, employees' improved bargaining power or governments' budget leniency, they also carry the risk of entrenching a vicious inflationary cycle that will be difficult to resolve without inflicting severe adjustment costs to the economy in the future.

The perceived reduced ability of central banks to provide for a more expansionary monetary policy, constrained by the mandate of price stability, led to a substantial deterioration in underlying financial conditions. The ECB raised the main refinancing interest rate 25 b.p. to 4.25% in July 2008. The Federal Reserve kept the Fed Funds at 2.00% but warned on the possibility of having to raise rates as soon as economic conditions started to improve. Thus, the 10-year euro area sovereign yield leapt 80 b.p. to 4.65% during the second quarter of 2008. The prompt intervention of financial markets' supervisors led to results, namely in restoring the functioning of some interbank markets, although current conditions are still far from normal. In fact, risk premiums remain extremely high, funding in wholesale banking markets remains irregular at best and highly dependent on the Central Bank's provision of liquidity, and the pricing of some of the more complex financial instruments remains problematic. Facing this adverse and uncertain environment, the downward revision in earnings estimates fostered a significant decline of the world's stock markets, in particular in financial stocks. Major equity indices have now erased the past 3 years' performance.

In the euro area, the real GDP growth during the first quarter was particularly strong (0.7% on a quarterly basis) but the second quarter performance looks much weaker and lacks signs of any improvement soon. Under these circumstances, economies showing strong domestic demand with a balanced external position have a comparative advantage. Such is the case of Poland, where real GDP growth in the first quarter topped expectations. The National Bank of Poland raised interest rates to 6.0% during the second quarter in order to stem inflation pressures. The higher yielding and stable economic condition encouraged demand for the Polish Zloty, leading it to below 3.30 per Euro. The Turkish lira and the Romanian Leu strengthened as well, also benefiting from strong growth figures in the first quarter and handsome interest rate differentials (reference interest rate set at 10% in Romania and 16.25% in Turkey). However, in those countries, important external imbalances and domestic political uncertainty represent risks that require close monitoring. Portugal and Greece have been recording some slowdown in economic activity, though Greek growth rates are still enviable (real GDP of 3.6% during Q1 over a year ago) as the economy is reaping the benefit of the fast integration and development of Eastern Europe countries. In Portugal, economic activity decelerated, with real GDP growth moving lower to below 1.0% (y-o-y). Leading indicators reveal growth to have remained soft during the second quarter of 2008. The Portuguese inflation rate has consistently moved below the euro area average (2.8% vs 4.8%, respectively, in May).

In general terms, within these countries, credit conditions have become more restrictive through banks revisiting their business models, acting more judiciously in allocating both capital and liquidity and as a result of higher ECB lending rates. Credit volume growth to private individuals has also been on a decelerating trend, namely for housing purposes, whereas loans to non-financial corporations remain brisk, in line with the lagging pattern that these loans typically display over the credit cycle in response to changing market conditions. The bigger difficulty in accessing wholesale funding has led to a greater focus on obtaining customers' resources in the local markets.

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BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the six months period ended 30 June, 2008 and 2007

	30 June 2008	30 June 2007
	(Thousands of Euros)	
Interest income	2,514,900	2,029,687
Interest expense	(1,672,964)	(1,260,885)
Net interest income	841,936	768,802
Dividends from equity instruments	29,323	22,596
Net fees and commission income	367,689	294,371
Net gains arising from trading and hedging activities	82,015	129,785
Net gains arising from available for sale financial assets	(196,181)	(5,612)
Other operating income	40,758	43,295
	1,165,540	1,253,237
Other net income from non banking activity	8,288	9,790
Total operating income	1,173,828	1,263,027
Staff costs	451,510	435,491
Other administrative costs	311,818	282,898
Depreciation	54,147	52,989
Operating costs	817,475	771,378
	356,353	491,649
Loans impairment	(205,851)	(97,751)
Other assets impairment	(21,541)	(12,096)
Other provisions	27,691	(6,836)
Operating profit	156,652	374,966
Share of profit of associates under the equity method	28,409	29,729
Gains from the sale of subsidiaries and other assets	(454)	(916)
Profit before income tax	184,607	403,779
Income tax		
Current	(25,412)	(16,926)
Deferred	(24,833)	(52,505)
Profit after income tax	134,362	334,348
Attributable to:		
Shareholders of the Bank	101,358	307,868
Minority interests	33,004	26,480
Profit for the period	134,362	334,348

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 30 June, 2008 and 2007 and 31 December, 2007

	30 June 2008	31 December 2007	30 June 2007
		(Thousands of Euros)	
Assets			
Cash and deposits at central banks	1,951,747	1,958,239	1,535,710
Loans and advances to credit institutions			
Repayable on demand	695,849	820,699	617,604
Other loans and advances	7,189,891	6,482,038	8,381,224
Loans and advances to customers	69.534.060	65.650.449	60.350.789
Financial assets held for trading	3,920,302	3,084,892	3,369,210
Financial assets available for sale	4,465,508	4,418,534	4,866,371
Assets with repurchasing agreement	51.661	8.016	38.403
Hedging derivatives	149,691	131,069	731,015
Held to maturity	5,575	-	-
Investments in associated companies	285.569	316.399	286.632
Property and equipment	709,199	699,094	740,517
Goodwill and intangible assets	534,934	536,533	529,883
Current tax assets	46.755	29.913	22.308
Deferred tax assets	603.543	650.636	574.860
Other assets	3,565,246	3,379,650	3,414,125
	93.709.530	88.166.161	85.458.651
Liabilities			
Amounts owed to central banks	1,564,626	784,347	526,843
Amounts owed to others credit institutions	8,237,932	8,648,135	10,420,745
Amounts owed to customers	41.964.378	39.246.611	34.624.245
Debt securities	25,912,544	26,798,490	27,873,940
Financial liabilities held for trading	1,171,785	1,304,265	938,976
Other financial liabilities held for trading			
at fair value through results	3,395,911	1,755,047	904,072
Hedging derivatives	208,621	116,768	780,244
Provisions for liabilities and charges	211.592	246.949	211.160
Subordinated debt	2,850,516	2,925,128	2,822,935
Current income tax liabilities	19,573	41,363	375
Deferred income tax liabilities	554	46	34
Other liabilities	1,930,467	1,399,757	1,330,713
Total Liabilities	87,468,499	83,266,906	80,434,282
Equity			
Share capital	4,694,600	3,611,330	3,611,330
Treasury stock	(65.134)	(58.436)	(24.722)
Share premium	183,369	881,707	881,707
Preference shares	1,000,000	1,000,000	1,000,000
Fair value reserves	173.852	218.498	471.902
Reserves and retained earnings	(155,669)	(1,598,704)	(1,465,985)
Profit for the period attributable to Shareholders	101,358	563,287	307,868
Total Equity attributable to Shareholders of the Bank	5,932,376	4,617,682	4,782,100
Minority interests	308,655	281,573	242,269
Total Equity	6,241,031	4,899,255	5,024,369
	93.709.530	88.166.161	85.458.651