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PRESENTATION

Operator

Welcome to the Millennium bcp first half 2011 earnings conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Vitor Fernandes. Please go ahead, sir, Deputy Chairman.

Vitor Fernandes - *Millennium bcp - Deputy Chairman*

Good afternoon, ladies and gentlemen. Welcome and thank you for attending this conference call. Before commenting on the financial performance of the Bank, I would like to stress out that given the adverse environment Millennium bcp has announced a review of its strategy, whose main points are, reinforcement of Bank's solvency level, management of the deleveraging process, strengthening leadership and profitability of the business in Portugal, strong commitment to African and other affinity markets along with a strategic repositioning of European operations.

Taking this into consideration, the Executive Board of Directors focused on developing initiatives to address the credit risk and reinforce capital ratios, namely by launching and concluding in less than 3 months a share capital increase operation in the amount of EUR1.37 billion. As a result and according to IRB methodologies, our Tier I ratio reached 9.3% and our Core Tier I reached 8.5% as of June 30, 2011.

The Bank posted a net profit of EUR88.4 million in the first half of 2011, which was greatly influenced by a rise of 46.3% in loan impairment, but which benefited from the increase of core revenues and cost containment policy. In addition, I would like to underline the impressive contribution of our international activity to the bottom line. This contribution rose from EUR25.3 million in the first 6 months of 2010 to EUR64.4 million in the same period of 2011, mostly due to the strong performance of our operations in Poland, Angola and Mozambique.

Regarding profitability, I would like to highlight -- - the increase of net interest income both in domestic and international activities, growing 14.6% on a consolidated basis and the stability of commissions due to the growth of banking commissions, which increased 3.9% year-on-year. - The drop in operational costs, which fell 3.5% on a consolidated basis and was down 4.3% in Portugal, over the same period of last year.

Millennium bcp continued to carry out its deleveraging process with loans to customers down 4.8%, while on-balance sheet customer funds increased 5.8%, enabling a reduction of EUR6.6 billion in the commercial gap. In terms of liquidity management plan, I would like to emphasize the maintenance of the assets eligible for discount at central banks at a level of above EUR20 billion despite rating downgrades for Portuguese Republic and some Portuguese companies during the period.

I now ask to Mr. Ramalho to start the presentation with the details of the Bank performance in the first half and new strategic agenda.

Antonio Ramalho - *Millennium bcp - Member, Board of Directors, Chief Financial Officer*

Well, ladies and ladies, starting on my speaking. Good morning to everyone -- good afternoon. I think that we have a little bit of our time and we should spend a little bit of our time in terms of strategical agenda, just to say what we announced to the market yesterday.

Of course, you understand that difficult times and different times oblige us during the last 3 months to study all the movements that we should do in terms of the market, understanding first the conditions of the market stagnation that we have seen in the market during this time, the negative funding costs that are increasing clearly, and the increased level of write-offs that non-performing loans oblige us to do. And if we look for these figures that came till 2007 and after 2007, we see the combined factors, the several factors that we are talking. Reduced, clearly, is return on equity to a figure of something like 8% in 2010. And since the country is in a bailout, since the situation that we have, we decided of course to define a new strategy for the last -- for the next three years. And I will try to explain in a few words what are the key points of this strategy.

First of all, let's say that we intended first to defend the position in Portugal, like we have done in the last 3 years, as the biggest private or not state owned bank in Portugal, with the largest client base, a good financial margin and everything that means core business of the activity. And this means recovering the leadership clearly in the banking income, as we think that this will be difference on the future. Of course, improvement of operational efficiency and the reinforcement of growth in Africa.

Sometimes no one have seen what are the importance of Africa in our results in the last 3 years, and the difference that Angola and Mozambique represents in term of our international position as an European bank with some advantage against other European banks. At the same time, we have done the turnaround of operation of Poland. We came from a zero profit to a level of profitability that you know, and we will talk about this in a few moments.

The reinforcement of risk management standards in line with the difficult times that we are feeling in Portugal and all over Europe. The improvement of capital ratios. We came from -- we did increase several times the capital, not only in Portugal, but also in terms of Poland, in terms of Angola, and at the same time, improving also -- the deleveraging, and the optimization of the risk-weighted assets. And, of course, to define and to make a clear focus and priorities in international portfolio. And remember of course the sale of the portfolio of Turkey and United States. And this means of course that we are with a trend of defining what are the priority and strategical countries for us.

The market position in 2010 was clear for us after the bailout. And just to remember everyone, now Portugal is a very tough market with a 10% of Core Tier I forecast for 2012. So we came from 6.7% in 2011 and we need to reach 10% in 2012. And this is an imposition of the troika and Central Bank of Portugal in terms of regulatory compliance.

We should do a reduction of loans-to-deposits in a trend that allow us to arrive at a figure of 120% of loans-to-deposit ratio. And this is not a final ratio, but this is a ratio that will be 1 to 1 decided in terms of a plan of capital, and of liquidity that should be discussed with the Central Bank in the future, and we should reduce the dependence of ECB even if the market is closed since May -- the long-term bond market is closed from May 2010. And we should ensure a new market by expanding progressively on the future after the sovereign risk benefit from the good results that we expected that we can achieve in the end of this year in terms of the results of -- sorry, the plan that we are implemented severally in a way after the elections and also before the elections -- but after the elections with the support of the votes since the Portuguese people had voted 85% supporting the parties that signed the troika agreement. Something that happened for the first time after the decision like this -- after elections based on a bailout solution. And of course try to continue to support the productive sectors of the economy. And of course this has implications in our strategic agenda. I think that we did prove in the past that we are very, very fast moving, fast movers, when we need to be fast movers, for instance, in the increase of capital. And I think that we are proving again that we are quite fast movers looking for the implications of the strategic agenda in terms of business drivers.

And let's be clear, four points are quite important. First, we ensure the solvency ratios. Second, to manage deleveraging. To arrive and to reach to a loan-to-deposits of 120%, expecting that the market will be open somehow during these times. Otherwise we need to continue to deleverage after that. And recover and improve the profitability to a return on equity debt that can be affordable to our shareholders at a level of over 10%. Of course we are not expecting the old times of more than 20%, but we think that we should be at a level of over 20%. And of course this means focusing international operations, continuing the priority and definition of priority that we have done in the last 3 years.

The result on that is -- the result on that is clearly this image. And I ask you, to everyone, to focus on this image, because this is the new image of the Bank for the future. First, clearly, we want to be the national champion in Portugal. During the bailout and during the crisis to be the national champion has a big difference for the future. And we want to be the market leader. We want to continue the culture of excellence that we are able to do, and we want to benefit from the advantage from scale. So all the movements that we want to do are based in this idea. We want to be the national champion in Portugal, and we will be.

Second point, we want to benefit from Angola and Mozambique as a reference bank in areas we have a clear competitive advantage and that have enormous growth opportunities since they are growing a lot in the last 3 years on average. These two countries are in the 10 top growth countries of the world. That's something that people normally also only talk on BRICs and does not know what is M&A that is Mozambique and Angola. And we want to benefit from the language, from the networking, from the dollars that we have of this market, because our knowledge of this market -- and I want you to understand is not a knowledge of the last 3 or 4 years. It's the knowledge of more than 25 years, 30 years, because we have the relations with these countries for this time. And of course we want to benefit also, and this is the last part of the circle, that is other affinity markets, where we have natural partners, clients abroad. That we have the capacity to leverage our franchise and have relations not only with Portugal as a Euro-Atlantic country, but also with these affinity markets where we have these important relation; Mozambique and Angola. And we believe that this south part of Africa will be really the new Latin America for banking sector. I know that I'm talking for several people that don't believe on me, but this was the story of Santander, for instance, 15 years ago, when no one understands the importance of a part of the globe that has much more capacity to grow than the traditional part of the globe. So we want to access to additional business opportunity in these areas.

For this we defined -- and I will be very speed from now because all of you want also to discuss the accounts -- as Chief Financial Officer I want to discuss with you also. But first of all, as a national champion, we want to stress clearly that we are defining a new business model. We have defined this in the last -- for the last six months we have studied this, and it's a very important area where we want to benefit from our traditional model. But we want to implement a new service model more in affluent and business segments where we can improve our competitive advantage but also to improve our position in terms of younger and self-directed segment.

If you come to Portugal and you see ActivoBank, we will see what is the difference of a bank that is quite simple, quite clean, quite clear, and that is one of the experience that we are doing in terms of pilots just to prove our capacity in the younger and self-direct segments of the future. We want to -- a more efficient service model in mass market, and we want of course a multi-channel distribution platform, a little bit more in the sub generation than what we have now. And we are really state of the art, but we want to be a step ahead.

Second, we want to focus on costs. And the restructuring of operative methods will be done in redesigning the processes, trying to adjust the capacity and of course focus a lot in terms of what we call the curve rate of credit, that is the capacity to recover credit. That will be one of the key points of the profit and loss account for the next future. And we want to benefit from our specialized partnerships in terms of banking business to stay in the top of some activities where we can benefit from state of the art experience of other players and we can use this in benefit of the Bank.

One of the examples that we have, let's be clear, is that Millennium bcp has a big advantage in Portugal to have a long strategy in terms of partnership, not only about the free float that we have in the market, but also the experience that we have in partnership. Normally, I used to say that we are profitable in all markets that we have minority interest. We are profitable in Angola, in Mozambique, in Poland. Where we are with someone we normally are very well succeeded. So we believe that we can do much more in terms of this kind of foreign partnership, use the state of the art capacity and use our capacity also to put our distribution channel based on the situation. We are talking about insurance where we have partnership. We are doing about asset management, real estate, leasing, factoring and so on. And this will be one of the important points in the future.

Also in Angola and Mozambique, as I said before, the variation between 2007-2010 is quite clear in terms of the solutions that we have done in terms of the market, and we did reinforce the operational base. We did increase the important of the business in Africa. And the results are clearly -- and somehow people forget, we increased 74%, the branches. We increased 76% the employees. We increased the banking revenue over 100% and the profit over 85%. And we came from 5% of international portfolio coming from two countries to more than 100% of the profits in international field.

So that's normal that the relevant area and factors is that we should stress and focus in this area. That's what we'll do, staying in Mozambique apart and trying to do a growth model with affinity markets based on the new holding that will be, of course, managing by Millennium with more than -- with 50%. But the power to manage the Company and capacity to consolidate it, with Sonangol and Banco Privado Atlantico as our partners in Angola.

That will be the owner of the total of the total shares of Millennium Angola, but also will be the vehicle of investment in terms of new geographies like Sao Tome. that will begin the exploitation of oil and also Namibia, and probably other areas. So we have new geographies and also new business. We want to bet in the activity of microfinance, where we are completely the leaders in Portugal. We want to benefit also from mobile banking that we have done and we have, of course, the banking insurance activity that we have already experienced, not only in Mozambique, but also in Angola with our partners.

These initiatives will allow us to explore clearly new trade finance flow and direct investment with other areas where the Bank has a benefit, a network and the experience. And we are talking about, first, Brazil, where we have the experience of the language and the network. And we believe that we can benefit from the relation from Angola, with Mozambique also. But also with China, where we are one of the two Portuguese banks that they have relations with Macao and relations with Mainland China in terms of reinforcement of our presence there and capacity to do much more trade finance activity. Remember that Angola is the second exporter of oil to China. Just to people that don't know this small detail.

In internal terms, this means that we want to focus in robustness and reputation of the management skills that we have, strengthening the Bank as a key differentiation item. We want the agility of the performance of the culture of innovation that we have and we want to perform on the future, and we want to bet a lot in partnership and growth. We believe that we can grow with partners and we can benefit from partners in the activity.

This means also -- and this is, let's say, the important point I told the newspapers since today, that we should evaluate the non-core business of Poland, Greece and Romania. In Poland, evaluating the opportunities to capture the value; to explore in Greece the positions of the opportunities to reduce the exposure to the Greek market; and in Romania to stabilize the operation benefit from reducing negative impact in results, and after that, to decide what are the best solutions for that.

So in Poland -- and this is a relevant fact that everyone is interested to know. This means that we are evaluating all the opportunities that can be very different to capture volume. We know that Poland is resilient banking sector, that we have some experience in terms of turning the raw income from zero to a good level of profits now.

That the sector is clearly under consolidation. We are the sixth biggest bank with 4% of market share. That it is a quite demanding capital requirements country, with levels of regulatory capital of 12%, 11%, 13%. That, they are recent transactions with attractive multiples, and that our operation is quite sexy, quite interesting, let's be clear, and very well positioned.

And this means that this opened several solutions to study what we can do in terms of Polish market. That's why we ask Nomura and Deutsche Bank to study with us and to define what is the best strategy in terms of exploring options, in terms of capture value from the Polish market.

In Greek market -- that is always a very, very interesting market because I think that has half of the pages of Financial Times in the last year -- the option is to integrate the operation, is to try to create a value creation rationale, supported in the potential synergies of the Bank.

Let's be clear, this is a very good bank in a difficult country. And trying to turn the minority interest in an established entity or banking group is something that, as regarding the timings, is quite difficult to define -- and with the level of finance entity that we have. It is a small bank, with 1% of market share. It is in tenth place in terms of these non-consolidated market.

But we believe that we will managing this situation and we can reduce, of course, our exposure to this market. As a bailout country, it does not make sense that we are focusing in another bailout country, for sure.

And finally, this will allow us to define what are, say, our commitments in the future. And the commitment is to be the national champion in Portugal, with a number of clients of more than 2 million, with a market share of over 20% in the higher value segments, to maintain the largest network in terms of physical touch points. I'm not talking about branches but physical touch points of more than 900. We are now the leaders and we want to remain the leaders in touch points. We want to be also the -- maintain the indisputable leadership in Internet and mobile channels. And this represents not only the banking activity, but also other activities that we should do.

We should support very, very hard the ActivoBank as a new banking solution for simple, clear and highly young guys that wants a new banking sector, a new banking solution for their needs with more than 100,000 clients.

We want the leadership in the market share of customer funds with over 20%. We want to bet in operating costs and come to a level of cost income of 50% based in a normal activity year. We want to have attractive returns of over 10% after the stabilization of current cycle. We want solid balance sheets with the Core Tier I over 10% and the loan-to-deposits less than 120% as troika requirements oblige us to do.

We want to be known as the European bank that has the advantage to be present in some African countries as a competitive advantage, with strong growth prospects, and we believe too that we can have more than four African countries on that. And of course we want to explore the network of reference partnerships as we have defined, as also capacity to be in all markets, in all business as the leader, as the national champion of Portugal, with a very strong focus in terms of competitive advantage in some markets.

So our main objective for the next 3 years is clearly this one, this commitment. Now this committed has a simple and a single sentence, that is to be known as the European nation -- the national champion of Portugal, a European bank that has a very strong advantage in some African countries that, in our opinion, are the new Latin American market -- as a way of trying to explain in normal words, the growth opportunities that we have in the south part of Africa.

And this is the strategic agenda that we define and that our CEO has announced yesterday. And it is important and we are of course open to all the questions after, of course, Sofia Raposo, the Investor Relations, talk a little bit about the numbers of the first semester -- the first half of 2011. Sofia?

Sofia Raposo - *Millennium bcp - Head of IR*

Thank you, Mr. Ramalho. I will start now the presentation of the first half 2011 results, and I would like to start with the main highlights of the first half. First of all, I would like to highlight that we -- during the second quarter, we launched and completed a three-stage capital increase of EUR1.37 billion, which has allowed us to reach a Core Tier I of 8.5% as of June 2011.

We also would like to stress that we continued the deleveraging process, which proceeded at a brisk pace, and we have reached a reduction of the commercial gap, which is the difference between gross loans and on-balance sheet customer funds, by EUR6.6 billion between June last year and June this year.

Also, fueled by the fact that customer funds -- on-balance sheet customer funds rose by 5.8% while loans reduced by 4.8%. At the same time, we managed as well to repay all our 2011 debt during the first half, maintaining the same level of usage of ECB funds. And we also managed to maintain the level of eligible assets in central banks as over EUR20 billion in spite of the rating downgrades of Portugal and Portuguese companies.

During the first half, we also continued the reinforcement and strengthening of our balance sheet, and we saw balance sheet impairment increasing to 3.8% of the loan book and reaching more than EUR2.9 billion. With regards to the net income, it reached EUR88.4 million and declined by 45.8%, affected basically by the reinforcement of the impairment as well -- which rose by 46.3%, as well as by the very low levels of trading gains. On the other hand, we would like to stress that we saw very positive evolution of core income, which rose by 8.9%, that we believe is very good performance, with net interest income growing by 14.6% and commission remaining broadly flat, but showing a very sound 3.9% growth in banking commissions.

Also we would like to stress that cost showed a 3.5% decline. And this is an area that we've been focusing throughout the last 3 years and should continue to manage in a very active way.

With regards to customer funds on a consolidated basis, they grew by 1.5% to EUR66.6 billion, and we would like to highlight the growth in balance sheet customer funds, which basically includes deposits and other on-balance sheet customer funds such as structured products -- and that rose 5.8% to EUR45.5 billion -- sorry, to EUR51 billion.

With regards to loans to customers, on the other hand, we saw a decline of 4.8% to EUR74.4 billion, with still some growth in terms of mortgage loans but decelerating on a quarterly basis, and 5.3% decline in consumer loans and a 10.4% decline in loans to companies.

The results -- and looking into the detail of the income statement fell by 45.8% to EUR88.4 million of profit. And these results need to be explained -- and were negatively influenced by the impairment increase of 46%, as we mentioned before, also by the very low levels of trading that we saw in the first half that reached only EUR21 million. And that were affected by the mark-to-market of the Portuguese public debt portfolio in the total amount of EUR141 million as well as by the EUR26 million lost in the disposal of loans, which were in line with our policy to continue to deleverage the balance sheet and that we had announced during Q1. Also, they were penalized.

We should also mention the special banking contribution cost of EUR16 million. And on the other hand, we see some positive effects. First of all, the deferred tax asset gain of EUR132 million in the scope of the streamlining of the holding companies that we've been doing in the past 3 years and which has allowed us to take advantage of some tax losses carried forward, and that we believe we should be able use in the next years.

On the positive side from our perspective, we still -- we believe that the first half of 2011 shows very good performance from an operating perspective, with the net interest income rising by 14.6%, very sound performance in banking commissions across the board and costs remaining quite controlled.

The net interest income, as I mentioned, reached EUR808 million, and we should note that the performance was both positive in Portugal, that rose by 16.3%, and an international operations rising by 11.7%, double digit as we had expected for this quarter -- for this first half.

With regards to commissions, we saw on the overall a 1% decline, mostly led by market related commissions such as assets under management and custodian and brokerage. Whilst on the other hand, we saw an increase in banking commissions by 3.9%. And on the overall, we saw very positive performance of the Portuguese operation, which shows that the efforts that we are doing in re-pricing not only in the net interest income -- within the scope of the net interest income, but also on commissions.

Therefore, the level of core revenues rose by 8.9%, and this is basically almost 30% over the levels that we had in the first half of 2009. And, indeed, it has also improved on a quarterly basis. The costs fell by 3.5% ,with a notable performance in Portugal, declining by 4.3% and international operations by 2.3%. On a line-by-line basis, first, staff costs fell by 1.6%, other admin costs fell by 5.7% and depreciation by 7%.

On the other hand, during the first half of 2011, the overdue loan ratio for more than 90 days increased to 3.8% in the first half. This is basically reflecting the deterioration of macroeconomic situation. From an impairments point of view, we believe that the situations were mostly identified once, where we -- and several large cases, and that already had some impairment charges attached. However, during the first half, we decided to adopt a more conservative provisioning policy, and therefore, we reinforced the provisioning levels quite strongly with 147 basis points cost of risk during the first quarter and quite strong reinforcement in the second quarter. This has allowed us to maintain as well, a coverage ratio that is over 100% in overdue loans over 90 days.

Looking a bit more in detail to the provisioning that we did during the quarter, what we would like to highlight is that the provisioning charges that we took during the first half were mostly related to the areas, and considering that we are in bail out situation, into the areas that we feel that during the future, the nearest future, could have a bit more -- could be a bit more problematic or where we feel that the risk perception could be higher. And therefore, we have reinforced the provisioning, mostly on consumer loans, on services which include basically the commercial real estate also on commerce and both wholesale and retail and construction.

With regards to the loan book, however, we would like to note that the loan book is quite well diversified. We believe that the mortgage portfolio has a very strong profile and has a 70% on average loan to value. And also we would like to stress that the loans are quite well collateralized, with 61% of the loan book having real estate guarantees while a further 18% guarantees in personal or financial guarantees as well. And only 14 -- 7% of the portfolio without any type of guarantee.

At the end of the first half, BCP was the bank with the highest level of coverage over the loan book, which stood, on a balance sheet perspective, at 3.8% of the gross loans.

Now, moving into capital. I would like to stress that most of you will know the operation that we did during Q2, with the capital increase that totaled EUR1.37 billion, the initial portion being the incorporation of reserves of a EUR120.4 billion. Also, the voluntary conversion of perpetual subordinated securities, which had a 99% success rate and lead to capital increase of EUR990 million and the issue of -- the rights issue that was conducted after the exchange offer that reached EUR259.9 million and had a demand of 1.64 times the offered shares. Following this, our Core Tier I evolution obviously was very positive, and Core Tier I reached 8.5%, Tier I reached 9.3% and total ratio -- capital ratio reached 10.5%.

We would like to highlight the most significant impacts in terms of capital during the quarter apart from the capital increase, which was positive by more than 200 basis points. We would like to highlight two factors. First of all, the deleveraging, which obviously benefited the risk weighted assets, but on the other hand, was offset by the downgrades of the Republic of Portugal and Portuguese company ratings. As well as the negative impact of the devaluation of the insurance company portfolio --investment portfolio.

So basically, this has placed Millennium bcp in line with our peers, when one regards Core Tier I. And I would perhaps like to just go through again the additional initiatives in the capital plan that we have announced, especially after the capital increase was concluded. There's still several initiatives undergoing. So first of all, obviously, the deleveraging, which we believe is going to be quite significant in the next 2 years.

Also the liability management that we are expecting to do -- so with regards to the preference shares and with regards to some subordinated securities. At the same time, we will continue the RWA optimization, as we mentioned, for several -- since last year. The IRB advanced, we will continue to pursue, not only in Poland, but also credit cards, current accounts, non-collateralized loans and as well corporate at a later stage in Portugal, and of course, the disposal of non-core assets, apart from strategic partnerships and other capital management initiatives.

We would also like to highlight that during the second quarter of the year, Millennium bcp passed again the EBA stress test and showed high resilience in a very adverse scenario that was put in -- that was tested by EBA and reaching a Core Tier I of 5.4. And also I would like to stress that following the capital increase and the measures that we had already planned, the liability management and deleveraging, the Bank should have a Core Tier I on an adverse scenario of 6.2%.

With regards to pensions and bit of an update on the pension fund, the performance of the fund was 1.4%, so the actuarial losses were relatively small at EUR27 million. The equities exposure increased slightly to 25%.

Moving to liquidity, the Bank has continued to adjust to the new funding environment. Deleveraging, as I mentioned, continued quite strongly, with EUR6.6 billion decline in terms of commercial gap, reflecting both the reduction of gross loans as well as the increase in on-balance sheet customer funds. The eligible asset pool, on the other hand, has been maintained above EUR20 billion in spite of the rating downgrades. We will highlight again that we remain a bank that is mostly focused on deposits, and this will very likely continue to grow as a percentage of our assets considering that it is reducing in terms of structure.

And we basically saw during the quarter a reduction of the loan-to-deposit ratio to 144%, which is in line with the target that we have announced to reach 120% loan-to-deposit by 2014.

With regards to ECB, we would like to highlight that we were able to maintain the same level, around EUR15 billion, in spite of the repayment of all the medium - most of all the medium-term debt maturities as well as the reduction of repos during the period. So maintaining a very large comfortable margin in terms of eligible assets and being able to take advantage of deleveraging of the balance sheet.

With regards to Portugal -- and more briefly -- the customer fund grew by 0.4%, with a very notable performance in terms of balance sheet customer funds that rose by 5.3%. Gross loans fell by 6.8% with a 1.5% increase of mortgage to EUR22.2 billion and a 10.6% decline in consumer loans and an 11.6% decline in loans to companies to EUR31.9 billion.

The net interest income rose by 16.3% to EUR518 million. And we would like to look in a bit more in detail with regard to the main drivers of the net interest income, where we saw basically stabilizing level of negative margins in deposits during the first half and also which also benefited basically from the increase in interest rates, whereas we didn't see a significant worsening in terms of time deposits.

With regards to the credit spreads on an accounting terms, they were penalized by the base rate effect and the volume growth, of course, in spite of the very positive impact of repricing. And with regards to re-pricing, I would like to call your attention to the next slide that basically shows the improvement in terms of contractual spreads that we are seeing in the Portuguese corporate portfolio to a very significant increase at least by 1.5 percentage points during the past 2 years.

And clearly, evidencing that new production is increasing quite strongly, increasing quite strongly during the spreads in the corporate portfolio and increasing to around 7% levels, which basically shows that in spite of considering the very high cost of funding -- or higher cost of funding, we are managing the asset side as well.

Now, the maturities and the re-pricing period of the corporate loan portfolio has slowed slightly, however, from 3 years to 4 years, but obviously the new production spreads aren't clearly almost 3 percentage points above 2008.

Now with regards to the mortgage new production, the average spread remains around 3%, increasing the spread of mortgage portfolio in total to 1.11%. So more slower a turnover of obviously of the portfolio.

Moving into commissions. Just to highlight the very good performance in terms of banking commissions -- and this happens obviously with -- considering that we are having a strong decline in terms of loans. So 7% increase year-on-year in banking commissions, which evidences, not only the yearly improvement, but also a quarterly improvement. On the other hand, obviously the market related commissions, basically securities in asset management, showing a negative performance considering the market situation.

Operating, cost wise, I would just like to highlight the 4.3% decline in operating costs in Portugal to around EUR460 million, with a small decline in staff costs 0.9%, a very strong effort in terms of admin costs by 8.9% and almost 10% decline in depreciation.

With regards to credit quality, the same trends that happened in consolidated accounts. So basically, an increase in overdue loans of 90 days to 3.8%, with a coverage ratio above 100%, but also a very strong effort was done in terms of impairment charges that stood at 169 basis points in the first half of 2011.

In regards to international operations, just a highlight to the very strong performances of Poland, that rose by 59% year-on-year to EUR54.7 million. Mozambique, that showed a very notable performance of 41% growth year-on-year to EUR41.9 million, and Angola, that in spite of the devaluation of the kwanza by almost 11%, rose profits by 55% to EUR15.1 million.

In Poland, the net income, as I mentioned, improved quite strongly, both on an yearly basis as well as on a quarterly basis, and the return on equity has continued to improve to levels up close to 11%. The core income obviously performing well, rising by 14.5% driven by net interest income, and operating cost performing in line with the business activity, rising by 5.9%.

The net interest income increased by 21% on an annual basis and 10% quarterly. This basically reflects the improvement of the profit margins and obviously higher interest rates. The commission lines increased by 3.5% year-on-year, although they showed a relatively weak performance on a quarterly basis, mainly due to lowering insurance fees.

With regards to costs, the cost-to-income continues to improve and was already below 60% target in Q2. So we saw significant improvement from the same period last year. Staff costs increased 5.3%, obviously, on an annual basis, but on a quarterly basis, they grew only by 1%.

The admin costs grew by 9.4% and 6.6% on an annual basis due to higher charges to the banking guarantee funds and with rentals and marketing.

Customer funds rose by 9.4% and we also saw some acceleration, especially on a quarterly basis, not only in mortgage because this -- which basically affects the evaluation of the Swiss frank -- but also in loans to companies that rose -- that begin to show some more dynamic. And total loans ended up by rising 5.8% year-on-year.

THOMSON REUTERS

With regards to credit quality, the impaired loan ratio decreased to 5.2% thanks to the improvement in the portfolio of companies and good quality in the mortgage loan portfolio. The coverage ratio improved to 59%, especially in companies. And we definitely saw some reduction in cost of risk in the first half of 2011 to 44 basis points.

Moving into Mozambique -- and very briefly -- the net income rose by 40.5%, with a ROE evidencing a return on equity of 42.6%. The evolution was supported by banking income, a strong performance, rising by 34.2% in spite of the ongoing expansion plan in the country.

We continue to see a strong performance in terms of the net interest income and commissions, rising respectively by 54% -- 53%, sorry, and 18% in commissions, while operating costs rose by 13.6%. Although this has led to an improvement in the cost to income to below 40% level, in spite of the expansion that we are seeing with 5.9% increase in the number of branches on a year-on-year basis comparison and employees rising by 8% to more than 200 -- 2000 employees.

The level -- in terms of volumes, customer funds rose by 13% and loans by 11%. The ratio -- the overdue loans ratio remain very low, at 1.3%, and the coverage ratio is very high.

Looking into the Angolan operation, we would like to just highlight the net income rise of 54.5%, of which -- in local currency actually 66.4%. Return on equity moving over 20% to 21.7%, and we saw very strong growth in revenues, loans and deposits.

In terms of revenues and costs, we saw 49% increase in terms of the net interest income and a strong evolution on a quarterly basis. Whilst in commissions, we saw an increase of 19%. Operating cost wise the growth is also strong, 15%, which is basically led by the increase in the number of branches on a year-on-year basis.

During the quarter, we increased the number of branches from 4 to 44. And this is the area where our plans will continue to be reinforced as we aim to reach 100 branches in the near future, and we will obviously reinforce the growth in the country and speed up the expansion plan.

With regards to volumes -- just very briefly -- customer funds rose 36% to nearly EUR700 million, while loans to customers rose 13% to EUR465 million. In terms of local currency, we would nevertheless like to highlight that the expansion was much more significant, 60% customer funds and 33% in loans. The overdue loans ratio remains relatively low at 2.2% and coverage ratios are high at over 200%.

On another note, Greece was affected -- continued to be affected with the -- by the sovereign crisis. The Greek operation posted a loss of EUR8.7 million and was positively affected by the repurchase of bonds in the amount -- with a capital gain in the amount of EUR19.5 million. The net interest income continues pressured and reduced during the year by 34% compared to last year, reflecting a fierce competition for deposits where the system has continued to see outflows in deposits.

The commission income was also down by 36% and trading gains were relatively low. The impairment charges, on the other hand, are high, and therefore the Greek operation obviously continues to tackle the cost base, and has managed to post a loss of under EUR10 million.

So the net interest margin continuous to decline on a quarterly basis, and we saw basically a small declines in terms of the loans to customers by 3%. But on the other hand, quite -- more sizable reduction as a percentage base in terms of customer funds by 7.9%, to EUR2.9 billion, with some stabilization on a quarterly basis.

So basically, just to summarize, what we would like to stress during the specific results of the first half, we would just like to stress the importance of the capital increase and the reinforcements of solvency during the period; the continuous focus on liquidity; strong results in our operations in Poland, Angola, and Mozambique; and the improvement of core income, especially the good performances of net interest income and banking commissions; and the continued cost containment policies that we've been able to implement quite successfully.

On the other hand, obviously the balance sheet is more reinforced, with provisioning charges that were higher than is the standard and the usual, and we think this is something that is a one-off in Q2. Nonetheless, it reflects a cautious policy in a bailout situation.

And basically, this concludes the presentation for the first half of 2011 and we are ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Carlos Peixoto, BPI

Carlos Peixoto - *BPI - Analyst*

First of all, I would just like to pose a question on the restructuring of -- or on the refocus of your international portfolio. I was wondering if you could give some further detail on what are the options you are considering for Poland and what is the expected impact for capital ratios from those scenarios?

And then, regarding the pension funds evolution, I noticed that the pension funds have posted a positive performance of 1.4% in the first half. This compares with an expected return of 5.5% for the year, which if -- which basically implies 2.75% for the first half. So the performance is sort of below the expected performance. But in any case, the actuarial losses decreased during the first half. I was wondering if you could shed some light on the reason behind this? Thank you.

Antonio Ramalho - *Millennium bcp - Member, Board of Directors, Chief Financial Officer*

Carlos, Antonio Ramalho speaking. The options, we did define all the European operation as non-core, point one. Point two, the things that for all the operations, even Poland, we are open to all solutions that can create value for our shareholders is to capture the value of the operation.

So it depends on the solutions, the result in terms of core capital. Of course, if you ask me, I received just the figures of an analyst that said that, for instance, if someone sold an operation like us in Poland, it should be something like 180 basis points of core capital increase. But let's say that there are some things that you can do also by your accounts.

We did not define what we are doing. We are working with Nomura and Deutsche Bank to define exactly what are the best solutions in terms of capture value, and I want to stress this because this is the point. There are several solutions. Of course, different solutions will have different impact in terms of capital and in terms of profit and loss accounts for sure. And this is the point.

In terms of pension fund, I think that the account is quite simple and the net value is quite simple. We have financial losses of EUR93 million and we have the normal deviation in actuarial assumptions of 66. I say normal because in the last 5 years I think we have -- 4 years, we have always this situation, because you know that the assumptions are defined in a normal situation.

In our case, in the case of Millennium, we normally come from a higher situation in terms of the payment for the pension fund benefits, and so the result is that normally, year by year, we saw that we are always positive difference from the standard assumptions of the Portuguese banks.

Carlos Peixoto - *BPI - Analyst*

Sorry. Just to clarify one thing. Does that mean that there was any change on the actuarial assumptions?

Vitor Fernandes - *Millennium bcp - Deputy Chairman*

No, no. Vitor speaking. No, no. We have an assumption of the growth of the active people of 2.5% and I think for pensioners of 1.5%. New adds in this half year. A real increase in pensions and in salaries. Much less than this, we have an actuarial gain.

Carlos Peixoto - *BPI - Analyst*

Okay, thank you. Understood.

Operator

Heiner Luz, Goldman Sachs

Heiner Luz - *Goldman Sachs - Analyst*

I've got like three questions like the -- the first question is rather basic. It's basically on your corporate income tax. And I give it was such a big sort of write back. I would be interested if you can give some clarity to what extent sort of have you started seeing your sort of IFS accounts deducting from any local accounts?

And the question would also be like are you taking the same loan impairments like on your Portuguese accounting standards or Portuguese tax accounting thing. So what's the sort of main drivers for this big difference in corporate income tax?

The second thing I would like to ask is generally I think it's quite clear that you're sort of revaluating the options. But can you give us some idea how much cushion you would like to have above the sort of 10% targets set by the Bank of Portugal? Is that something that you say, okay, if you're confident, if you make it, would you say to run the bank you want to be 30, 50, 100 basis points above?

And then, secondly, on the precautionary provisions in Portugal, what sort of the areas where you feel like things now could stop going wrong or what is the -- where you see the trends? I think you -- like you must feel like something is getting more risky to do this provision. So if you can give us some idea where it's coming from or is it just sort of a general more like a sovereign provision?

Antonio Ramalho - *Millennium bcp - Member, Board of Directors, Chief Financial Officer*

Heiner, hello. Just to try to explain the different taxes, it's quite simple. We have a company that is Bitalpart is now with nothing because it sold to Eureko. It received all the situation from Eureko. And from the restructuring process of last year, we have this different taxes that we can put on our accounts. So it's a simple story.

Since this was a holding company that has all the insurance, and after all the restructuring, it is finished so we can liquidate it when we want. It is a decision that the Board can take from now on or from the end of last quarter, let's say -- so from now on. That's why they are now in the accounts. So it is a normal situation.

And the question of capital is quite interesting, because it is really a good question. As a national champion, we should have a good level of capital. This for sure. But in the situation that we have Portugal, we want to have more than 10, because we need to have more than 10, but we should be careful not to destroy value to the shareholders since we are in a deleverage process.

So this depends a little bit from the level of capital that you should have to be recognized as a national champion in the market, but at the same time, to have the capacity to know that as we are in a deleverage process -- and no one knows when this deleverage process -- the number that this deleverage process should reach, because this depends a little bit of the cost of funding debt some peripheral countries should pay on the future.

This means that we need to very careful. Not to have much more capital than the capital that we need. Somehow I used to say that we are used to a banking sector that are always growing, and this growth means that always we need -- that we need always more capital. Now we are in the movement where we are always growing in capital, but we are not growing in assets. And it's not a problem of Portugal. It's a problem of the world.

So I think that we need to use -- to be used to another situation and to be very, very careful on that. And that's why we don't want -- don't want to be recognized as -- or to define a target much higher than 10%. Of course, we need to have more than 10% for sure, but we need to be very, very careful in the amount of buffer that you have.

That's why we are awaiting a little bit more for buffer solutions and cocos, because it seems for us much more interesting for a Portuguese retail system that is much more based in a normal factor -- activity, of credit activity. We are not an investment bank, as you now. We are really a retail bank. So the normal level of profits are the same. The normal level of creating capital are the same.

So that's a clear statement about the level of capital that we intended to do. The cautionary provisions is also a good question and, of course, everyone noticed that we decided to be much more cautious in terms of the level of provisions that we did use. The reason is quite simple, is first, we are in a bailout. Second, we need to be careful with next times. Third, I think that we have a strong story of last three years of doing good level of provisions based on the cautionary concern of this bailout. And we intended to continue it, and this is the quarter that is important because we should show clearly the situation.

Nevertheless, I want to stress, and I ask Sofia to put the page 33, because it is important to stress this. Nevertheless, when you look for our portfolio, you will see, first, that 42% of our portfolio are mortgage, and good mortgage. And you can see this good mortgage in terms of LTV and the distribution of the LTV. And we are talking about on-site LTVs, on-site evaluations. We are not talking about index evaluation.

For us, in our case, we should do on-site evaluation and also index evaluation, and the worst of them will be the evaluation that should be accepted. And at the same time, the level of loans by collateral are quite good.

Of course, we need to be careful in terms of the evaluation of this collateral, and this is the reason we did put so much impairment in terms of this activity. Nevertheless, you can see on top of page the level of impairment distributed for the kind of loans that we have.

So the loans portfolios as a total is something that is good enough in terms of the presentation, and you should look carefully for the numbers that we show in the figure 33. But I don't know if -- talking about risk is something that I don't like to do as CFO.

Heiner Luz - *Goldman Sachs - Analyst*

Okay

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Antonio Ramalho - *Millennium bcp - Member, Board of Directors, Chief Financial Officer*

I don't if Miguel Pessanha wants to add something. That is our credit risk officer that is there with us. Just explain two of three things.

Miguel Pessanha - *Millennium bcp - Chief Risk Officer*

Just three ideas. First, we increased provisioning in cases that were already knew. There's not an explosion of new cases. We are provisioning in cases that we already knew. Second idea, that the bailout will imply reduction in the value of assets, and most of the credits we're provisioning more were credit collateralized by financial assets and real estate assets.

Third idea, we also did an effort to anticipate conclusions from the on-site inspection that is predicted in terms of the bailout agreement. So those were the drives of our provisioning policy this quarter.

Heiner Luz - *Goldman Sachs - Analyst*

Okay, thank you. Very clear. Thank you very much.

Operator

(Operator Instructions)

Benjie Creelan-Sandford, Macquarie

Benjie Creelan-Sandford - *Macquarie - Analyst*

Could you provide any guidance on how quickly you plan to reduce your usage of ECB funding going forward?

Antonio Ramalho - *Millennium bcp - Member, Board of Directors, Chief Financial Officer*

Benjie, hello, it's Antonio Ramalho. The evolution -- we have the evolution -- as we are discussing -- the solution that the troika has create to Portugal is different from the other countries. So we have a one-to-one discussion since all the Portuguese banks are different and it was clear that the troika does not want to use a completely normal figure for everyone.

So what we have done, as the system in Portugal is for all -- the system, it's quite simple. The markets did close in May last year or in April last year, and since then we stay almost with the same amount in the ECB. So we give the module to our friends of Ireland and the Greece and we stay with the same amount of 40 to 50b of use of funding from ECB. And they remain like that.

In terms of Millennium, we decided first to focus in assets and the asset -- eligible assets. And for us, this was something that we have always explained to the market, and I want always to explain to you and to Macquarie, that is, they are only one solution to come again to the market. First, to have a sovereign risk that will be affected by the market -- one. Second, to prove the quality of assets of the Portuguese banking system.

So that's why we did define the asset quality and the asset eligibility as a way of making a continuous scrutiny of the quality of the assets that we have. We are, of course, losing ratings on the ABS and on the covered bonds just for automatically result of the downgrade of the Republic. But we maintain and we are proud of that that we are probably one of the countries that has no default, nor in equities, nor in any securitization.

So the quality of the Portuguese securitizations are clear. And you understand that because, before the crisis, we are -- for instance, we were the most -- less expensive or the less spread covered bonds of Europe. So we put covered bonds at below the price of Spanish covered bonds, and of course, French covered bonds.

So what I'm trying to say is that we need to prove always that the quality of the assets in Portugal are better that it seems for a bailout country. So with this presentation -- and sorry for saying that, because this is important because, in two years time, when we are discussing the figure again to the market or not, it is important to us to say, "Well, here we are. The asset quality is quite clear. It is on the market. It is in the ABS. It is in the ABS and ECB. It is the ABS in the market and quality maintained. It is quite clear and is sustainable."

In terms of ECB, I think that the numbers are quite simple. We depend, as you know, more from deposits than from other areas. We did remain with some level of ECB dependence during all these period, but we have repay a lot of money. Even this year, we repaid [2.4b] of repayments, and we are without anything to repay this year.

So if you ask me, if we want to reduce, we will reduce a little bit. We will reduce also because the amount that the government needs in Portugal will be less, because it isn't a bailout solution. So, you will not need to invest so much in treasury bills and so on. That is something that we are always investing in the normal way in Portugal since we are a Portuguese bank.

And in this situation, I will say that we saw a capacity to reduce on [BCE] to something like EUR12 billion or something like this in the end of the year.

So we will do this slowly. We don't want to destroy the Portuguese economy. We don't want to -- liquidity is an issue in Portugal, much more important than capital nowadays. And I think that we need to do this carefully this year and again year. Okay. This is what is the situation in terms of liquidity and dependence of ECB.

Benjie Creelan-Sandford - *Macquarie - Analyst*

Okay. Thank you very much.

Operator

Carlos Peixoto, BPI.

Carlos Peixoto - *BPI - Analyst*

I was wondering -- well, after the precautionary provision is made to this quarter, could you give us some light on your expectations for cost of risk in the upcoming two quarters?

Secondly, on a follow-up on the ECB funding matter. Is it possible to give us a split on how much of the current ECB funding relates with the Portuguese operations and how much relates with the funding of the Greek operations? Thank you.

Antonio Ramalho - *Millennium bcp - Member, Board of Directors, Chief Financial Officer*

Carlos, again, it's quite easy. The last question is quite simple. EUR14.2 million in Portugal and the other part is Greece, so EUR700. And it's for the usage. I'm talking about uses. The assets eligible are much more focusing Portugal, of course. And this is the situation. So, EUR700 million in Greece and the EUR14.2 million in Portugal in the end of the half -- of the first half.

Second point is what we should address in terms of cost of risk for the next 6 months. We expect that the level of risk will be higher than we expect before, so it will be over 90%. Probably 120 basis points in terms of cost of risk. But it depends a little from --the evolution can be a little bit higher during the second half. And this means --- I'm talking about the whole year. So the average for whole year.

And we are prepared to stay with this level of situation. If it is increased more 20 basis points, we will increase more 20 basis points. We'll be cautious in terms of the way we'll look the situation.

I must say that -- and you will see this in all Portuguese banks for sure, butt in my bank you will see this clearly. You will see that what will be the difference in the next time in Millennium is that we will begin to recover a little bit more. The reason is quite simple. All the investors in Millennium knows that during 9 years they've been investing in Millennium with a level of EUR500 million of net provision in 3 years. Now in the last 3 years, we put something like EUR2 billion.

Now we are putting more this level of provision, and this will mean that, of course, we will have a recover on the future. And this will be why the level of provisions, cautionary provision will stay at this level in our expectation, let's be clear. Since we are in a bail out this kind of forecast is not easy to do.

Carlos Peixoto - *BPI - Analyst*

If I may, just on a follow-up? I noticed that on the presentation the NII figure for Greece is somewhat below the levels reported in the P&L. The difference is basically between EUR16 million, if I recall it correctly, and EUR36 million reported. This relates exactly to what? Sorry.

Sofia Raposo - *Millennium bcp - Head of IR*

Well, there is a footnote on that slide which basically says that there is a EUR19.5 million gain in the Greek operation due to the securitization to the sale from Portugal to Greece, which led to a gain that, in Greek accounts, were booked in net interest income; in Portuguese were booked in trading. And it's neutral on a consolidated basis, of course.

Operator

[Daniel Babbich], Fortelus.

Daniel Babbich - *Fortelus - Analyst*

I have a quick question about something from the EBA stress test results. And within the mitigating factors, it mentioned potential liability management on the Tier Is and one of the lower Tier IIs. What sort of guidance or comments can you make on that?

Antonio Ramalho - *Millennium bcp - Member, Board of Directors, Chief Financial Officer*

Let me --- Daniel, let me be quite clear on that -- that is, we think that we will offer a liability management. You know that we need the support of --- we need the authorization of the central bank. We did ask the central bank the authorization. The final terms of the offer are not defined, and the decision to show this to the market was the decision of my central bank.

And I never comment the position of my central bank and statements of my central bank. So I cannot add anything more. Okay, Daniel?

Daniel Babbich - *Fortelus - Analyst*

Okay. Thank you very much.

Operator

Maarten Mes, Eureko BV

Maarten Mes - *Eureko BV - Analyst*

I was wondering whether you took a impairment charge on your government bond portfolio in Greece, the Greek government bonds, and what the market value of that portfolio is versus the book value?

And then my second question is on the 10% return on equity target. When do you hope to achieve that? Thank you.

Antonio Ramalho - *Millennium bcp - Member, Board of Directors, Chief Financial Officer*

Okay, the first question, we -- first, this is an alt maturity investment that was bought based on the situation, the investment in Greek bonds. And the bank was not called to any negotiations, any deals. So we --we think that -- we don't know why. Probably because as a bailout country and the statement of the European Council was quite clear, saying that this is a private help from the private sector to a bailout country. Probably they want to -- they think that as we are in a bailout country, we should not be in the discussions immediately. At the same time, part of this portfolio is clearly defined in the program of liquidity and capital that we put in the central bank and we are discussing with troika.

So the situation in Portugal is a little bit different from the other countries for this two reasons. So we did not decide nothing because it is not probably our only decision. So we are waiting to see what we should do in terms of final terms of the situation, and it depends a little bit from this discussions with the troika here in Portugal and the way they are seeing the Portuguese banks as banks of a bailout country also.

So, Maarten, this is the situation. In terms of 10%, clearly as I said before, this is the idea after the, let's say, the -- after this austerity program. And this means that since we are focusing in terms of next two years in terms of definitions of everything, I think that we'll reach this level probably in 3 years time or 4 years time.

Let's say that it's something that we'll do the presentation in the Investor Day that we will do after the presentation of all the fundamentals of our statistical plan for the next years, since we are talking about 3 years time. Okay.

So it is not something that I will say to you in terms of the forecast of the accounts, but it is something that in the next Investor Day -- and I hope that, Maarten, you can be here just to see what are the strategical view. But this is the main target that we want to reach. But not today, not in the end of this year and not in the end of next year probably. But it is something that should be seen carefully when we show all the statistical figures.

Maarten Mes - *Eureko BV - Analyst*

Okay, thank you.

Operator

(Operator Instructions)

Ignacio Ulargui, BBVA.

Ignacio Ulargui - *BBVA. - Analyst*

Just have a question on the cost of deposits going forward. I mean, in the context of a strong deleverage, how the competition is going act at the end of the day?

Antonio Ramalho - *Millennium bcp - Member, Board of Directors, Chief Financial Officer*

Ignacio, it's increasing a little bit. Sorry to talk to you almost directly, but our country are so near that we can talk a little bit in the difference between the two countries and it is more easy to understand. Of course, there are some tension in terms of the funding market. But remember that is not so huge and strong competition, as probably you have explained, for one simple reason.

Five banks represent 80% of market share, and we know that we should not destroy value in this competition. And we don't have -- sorry, for saying this because it is, let's say, almost a joke. We don't have customers to take deposits from.

So this is not a benefit. It is a situation. And in this situation let's say that what happens is that the figures of all the Portuguese banks seems quite similar, so the market there are staying quite calm and without no difference.

At the same time, we should understand, and I think that everyone that is hearing us should know, that the churn rate in Portugal is 3%. The loyalty rate is awful, awful high, and the level of banks by person is 1.6. So with this kind of figures of marketing you understand that they have no room to destroy value and get and to catch money. If you ask me, there are competition in the high level deposits. That's true, there are. And the big deposits from corporations, of course. We don't have deposits from foreigner corporations. Normally the banks of their countries ask them the deposits now.

But we have the deposits of our own corporations, and in this case, as you know, they are strong competition. But we are talking about a small portion of deposits. That's why we maintain a cost level that can be almost normal. It's increasing a little bit. And as you know, also the Central Bank of Portugal has clearly said that they don't want also a destructive situation in terms of deposits.

I can give you an example that I use in all road shows -- so I should use again. We have here with us one Spanish bank that is quite aggressive, and when the Spanish bank decided in Badajoz to launch a campaign of 4% for time deposits, at the same time they decided continually at 2% in Portugal. It is not a blue bank. It is a red bank. But this example is the best example why here in Portugal we don't destroy value because we don't have money to get from the other banks. This is the situation in Portugal

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Ignacio Ulargui - *BBVA. - Analyst*

Got it. Thank you very much.

Operator

As there are no further questions in the queue, I would like to turn the call back over to Mr. Vitor Fernandes for any additional or closing remarks.

Vitor Fernandes - *Millennium bcp - Deputy Chairman*

Ladies and gentlemen, let me finish this presentation with two final remarks. Following the disclosure of stress test results performed on major European banks, it is comforting to see that Millennium bcp once again shareholder resilience in extreme scenarios, having obtained a Core Tier I ratio higher than that required. Further measures in Millennium bcp capital plan will bring our Core Tier I ratio in the adverse scenarios test -- test scenario to more than 6% in short-term. With a more robust capital base, we are confidant that our strategy agenda responds to the future challenges.

Regarding our international portfolio, this agenda includes an even more ambitious expansion plan for Angola and Mozambique, with the creation of a holding company to which Millennium Angola will be transferred. This new holding company will also seek new business opportunities in other African countries. The new strategic agenda also includes the realignment of our European operations by ascertaining the value creation potential of several possible options to enable a future decision on shareholding. Thank you all for your presence and your questions in this conference call. Thank you.

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.