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PRESENTATION

Carlos Santos Ferreira - *Millennium bcp - Chairman, CEO*

Before commencing on financial performance of the Bank, I would like to note the demanding environment on the Portuguese economy. Taking into consideration this challenging background, Millennium bcp present a profit of EUR77.7 million in first three months of 2011, benefiting from the increase of core banking income and the reduction of operating costs. Held over the first quarter of 2010, the results decreased 19.4%.

I would like to highlight the important contribution of the international activities, which represent now 21.6% of the consolidated net income, mainly due to the strong performance of our operations in Poland, Angola and Mozambique.

In terms of profitability, I would underline, first, the increase of net interest margin, both in domestic and international activities, growing 17.9% on constant-related basis, and 23.6% in Portugal over the same quarter of the previous year. Second, the evolution of the Bank's cost base. Operational costs fell 6.8% on a consolidated basis and 10.4% in Portugal year on year.

Regarding business volumes, we have conducted a reduction of EUR2.4 billion on the commercial gap, and loan-to-deposit ratio was down from 152% in the first quarter of 2010 to 147% in the same period of 2011. On the other hand, total balance sheet customers' funds increased by 1.1%.

Regarding credit quality, we reinforced net impairment charges, and loans overdue by more than 90 days stood at 3.4% of total loans. Our coverage ratio stood at 103.8% comparing, in our opinion, well with our Iberian peers.

In terms of liquidity management plan, I would like to emphasize the maintenance of the eligible assets for discounting at central banks and repos, in spite of the pressure from writing reductions off the Portuguese Republic and the majority of Portuguese companies, reaching EUR20.1 billion by the end of the first quarter of 2011.

In the international activity, I would stress, first, the good results achieved by the Polish operation, which posted a net profit of EUR25.6 million in the first three months of 2011, driven by the growth of net interest margin and commissions.

And second, I would also like to reinforce the expansion plans in Angola and Mozambique. Together, the two operations present a net profit of EUR27.8 million, 37.6% up from the same period of 2010. The return on equity for Angola was 21.6% and, for Mozambique, 41.9%.

To conclude, and following the Bank's general annual meeting of shareholders, I must note the approval of share capital increase operation in an amount that may vary between EUR1.12 billion and EUR1.37 billion, and that will allow us to strengthen solvency ratios. After this operation, core Tier 1 will reach 8.5% to 9.5% above the minimum required by regulators and comparing quite favorably with our Iberian AB peers.

Well, I now ask Mrs. Sofia Raposo to start the presentation with details of the Bank's performance in first quarter of 2011. Thank you.

Sofia Raposo - *Millennium bcp - Head of IR*

Thank you, Mr. Chairman.

I would like to start with a detailed presentation of the Bank for the first quarter of 2011. So, starting with the net income of the Bank, as stated before, it was reduced by 19.4% to EUR77.5 million (sic - see press release) when we saw during the first quarter an improvement versus the year 2011 of the contribution of the international operating income to -- operating -- international operations to net income.

At the same time, we see the increase of the core income of the Bank by 10% during the first quarter of the year, mainly due to the improvement of the net interest income. We also saw a decline of operating costs by 6.8% in all the cost lines; in personnel by 8.1%, in admin costs by 5.6%, and depreciation by 3.5%.

The core Tier 1 improved versus last year and remained stable when compared to December of 2010. Whilst we -- at the same time, we continued to see an improvement of the commercial gap that declined by EUR2.4 billion to EUR24.1 billion.

During the first quarter of 2011, we continued to reinforce our impairment charges for our credit portfolio, and the total balance sheet impairment has reached EUR2.6 billion and represents 3.5% of the loan portfolio whilst, at the same time, we have maintained the level of eligible assets for central banks and repos at over EUR20 billion.

With regards to balance sheet performance, we see customer funds reducing by 1.2% compared to last year, but we see also improvement of balance sheet customer funds by 1.1% to EUR44.9 billion, whereas off-balance sheet customer flat funds declined by 8.2% to EUR15.4 billion, basically reflecting the performance of assets under management that declined by 13.8% and insurance products that declined also by 5.8%.

Loans to customers reduced by 2.4% to EUR75.3 billion. And we still see some growth in terms of mortgage loans at the consolidated level to EUR30.7 billion, whilst we see a consistent decline in consumer loans by 7.4% to EUR4.7 billion and a decline in loans to companies of 6.1% to EUR39.9 billion.

With regards to the income statement and looking into the details, the profit of the first quarter of 2011 reflects -- on a banking income analysis it shows the reduction of net trading income from EUR135 million to EUR24 million. And despite that fact, we've managed to improve the core income with net interest income rising by 17.9%, whilst commissions fell slightly to 3.3% to EUR195 million. So, all in all, the banking income reduced by 6.2%.

At the same time, operating costs fell by 6.8%. And the profit line was also negatively impacted by the increase in loan impairments and other impairments and provisions. So, all in all, contributing to a 19% decline to net income.

The net interest income, as we mentioned before, has increased and the net interest margin improved from 1.58% to 1.78%. We saw -- and we saw improvement in Portugal by 23.6% and in international operations by 8.7%, reflecting the positive impacts of Poland that rose by 18.8%, Angola by 44.5%, and Mozambique by 54.8% whilst, at the same time, penalized by the Greek performance that fell 31.9%, and also the sale of the operations in Turkey and the US that are no longer included in Q1.

The net interest margin on a consolidated basis, as we mentioned, has increased from 1.58% to 1.78%. This represents a year-on-year increase that is quite significant and is consistent both in international operations and in Portugal. But, at the same time, it also represents a small decline from Q4 margins of 1.84% at the consolidated level. That has been mostly impacted by Portugal; whereas, in international operations, we continue to see improvement in the international group.

In terms of commissions, we saw a small decline of 3.3% year on year. This is mostly affected by market related commissions, namely in investment banking, in assets under management and in the securities. The decline has been more in international operations by 6.4% than in Portugal. That declined by 1.9%. It should be noted, however, that with regards to the banking commissions, we continue to see growth of 1.8% in the consolidated group and 5.8% in Portugal.

Therefore, the core income performance we believe has been very favorable when you compare the level of Q1 to all the other -- to the previous six years. So, in spite of all the negative economic framework, the level of core income is the highest of the past seven years.

Now, with regards to operating costs, our 6.8% decline reflects, on the one hand, a decline of 10.4% in Portugal and 0.8% decline in international operations. That shows the containment we've had in the majority of the operations, considering the expansion in Mozambique and Angola.

And I would like to highlight the different components of the operating costs. So, we saw an 8.1% reduction of personnel costs. This includes a reversal of provisions in the amount of EUR31.4 million associated with pension charges of former members of the Executive Board of Directors and, at the same time, an increase in costs related to the depreciation of actuarial deviations related to the pension fund.

With regards to admin costs, we saw a decline that is consistent in Portugal and in international operations by 5.6% to EUR139.4 million. That basically reflects very significant savings, namely in consultancy, namely in several items of the cost base.

So, all throughout our cost base there has been significant renegotiations in savings, whereas we continue to see a 3.6% decline in depreciation to 24.8%. That has been consistent in the last few quarters. And this is basically to do with the performance in Portugal, where we continue to have reductions in real estate, in -- yes, in real estate and buildings, whereas that more than compensate increases in depreciation in software and other IT items.

Now, with regards to credit quality, the overdue loans ratio over 90 days increased from 2.5% in March last year to 3.4% in March this year, in the first quarter of 2011. And we have maintained the coverage ratio at about 100% to 103.8%. The impairment charges remain, therefore, at higher levels of 88 basis points and the impairment charges for the quarter stood at EUR166 million.

Now, with regards to the cost of risk, the cost of risk has been relatively high and remains quite above the average of the cycle at 88 basis points. Nonetheless, a small reduction when compared to the full year of 2010, basically reflecting improvement in our international operations, namely in Mozambique and Poland.

The outstanding balance sheet impairment levels as a percent of loans stands at about 3.5% of the total portfolio and is the highest of the -- among our Iberian peers.

Now, with regards to solvency, the core Tier 1. And Tier 1 and the total ratio remains stable when compared to December, 2010, with core Tier 1 standing at 6.7%, Tier 1 at 9.2% and total ratio at 10.3%.

We would like to highlight that, since the beginning or the lessening of the sovereign crisis in Portugal we have started our deleveraging program consistently and we have managed to reduce the commercial gap by more than EUR5 billion since the second quarter of 2010. And therefore we've also been able to reduce the loan-to-deposit ratio from 160% in June last year to 147% at March this year. We have done that basically by reducing the loan book by EUR2.9 billion and improving the on-balance sheet customer funds from EUR49 billion to EUR51.2 billion.

Now, with regards to the eligible assets pool, it has remained over EUR20 billion, basically -- despite the rating downgrades that affected the Portuguese Republic and the majority of Portuguese companies. And in spite of some small reduction of EUR600 million in our public debt portfolio, we've managed to maintain the level of over EUR20 billion of eligible assets.

Moving on to slide 19, I'd just like to highlight that the structure of our funding is still very much focused on our deposit base, that is more than half of the total, and on our own capital with medium and long-term institutional debt representing EUR15 billion, actual term funding EUR1.3 billion, repos EUR1.5 billion and ECB standing at EUR14.7 billion.

We would also like to explain our funding plan for the next few years. And basically, what we aim to do is, first of all, considering that the markets have been closed for Portugal, we intend to deleverage our balance sheet and reduce our commercial gap and loan-to-deposit ratio to 120% by 2013.

We would also like to state that this 120% goal depends very much on the negotiations that will be conducted between the Portuguese Republic and the IMF; so therefore, their views on how the deleveraging process should proceed in the Portugal economy, whether it should be done faster or slower. All in all, we aim with this target also to reduce our ECB usage. And we have managed to reduce that usage since July 2010 from 16.1% to 14.9% in December, and now again to 14.7% in March.

With regards to the specificities of 2011, we would -- we have already repaid EUR1 billion of our funding refinancing needs for 2011. And for the full year, we still have EUR1.7 billion left to be done. That should be more than carried out by our deleveraging program.

Now, moving into Portugal. Now looking into our P&L, you can clearly see that the quarters in the first half have had a very low trading income level. That compared -- quite below average. That compares to last year, EUR103 million. That was quite above average. Despite that fact, we have increased the core income significantly and the net interest income increased by 23.6%, whilst commissions remained broadly flat, so declining by 1.9%. And the banking income altogether reduced 7.9% and costs reduced by 10.4%. During this quarter, we also increased the assets in terms of loan impairments and provisions.

Our customer funds have remained broadly stable at EUR50.6 billion. And -- but we would like to highlight that the balance sheet customer funds increased by 2.3% to EUR36.3 billion.

And loans to customers reduced significantly by 3.% to EUR58.2 billion. And we see clearly more moderation in terms of the growth of the mortgage portfolio. That went up by 2.5% to EUR22.4 billion, whereas we see consistent decline of our consumer loans portfolio to EUR2.8 billion and loans to companies reducing by 6.3% to EUR33 billion.

Now, moving into the net interest income. During this first quarter of 2011, the margins have improved in Portugal by 23.6%, basically maintaining the trend of recovery that began in the first quarter of 2009.

That was basically driven by the -- and the most significantly driven by the repricing of our corporate loan book and the higher level of new -- of spreads in the new production of mortgage loans. Also, by the increase in net interest income that positively has affected our demand deposit spreads, and a positive impact on net interest income from the bond portfolio in the quarter -- in the first quarter of 2011 of around EUR30 million.

And the improvement of margin year on year happens in spite of more pressure in time deposit margins that we have been seeing since the fourth quarter of 2010. As you can see in our total deposit spread, it has been worse since the Q4 2010. Also, with the deleveraging, that obviously continues to utilize the comparison of the net interest income year on year. And of course, higher wholesale funding costs.

We would also like to highlight on the quarterly performance, when comparing Q1 to Q4 of last year, that we had a decline of 5.5% all in all, with international performing relatively stable, rising by 0.9%, but Portugal declining 8.7%. And what we see here in Portugal is that seasonality obviously has a negative effect in Q1 compared to the fourth quarter, which is usually stronger and obviously also has two days less. But, the main impacts for the reduction quarter-on-quarter relate to the reduction of loans, the lessening in time deposit margins, and the base rate effects in mortgage, considering that interest rates have gone up. And obviously, this happens in spite of much better results from repricing and demand deposits with higher interest rates.

With regards to the loan repricing, as you can see in slide 25, the portfolio of the corporate portfolio spreads, contractual spreads, continued to increase quite substantially and new production is being booked at levels that are now getting close to 6%. Whereas, in mortgage, we are seeing the new production at levels of 2.7%. The repricing period of the corporate portfolio is around three years. And obviously, new production spreads, when you look at the recent performance, are now significantly above 2008 levels by more than 1.6 percentage points.

Now, with regards to commissions, I'd just like to underscore that banking commissions have gone up by 5.8%, whereas market-related commissions were -- showed a relatively poor performance in securities, therefore pushing the overall commissions at minus 1.9% year on year. 4 The operating cost line shows a very significant reduction of 10.4%. Obviously, the personnel costs reduced by 12.5%, but have the impact of the EUR31.4 million of pension -- of reversal of provision related to pension charges but, at the same time, had higher pension costs related to the depreciation of the actuarial deviations. But having said that, the admin cost reduction is quite substantial at 7.3%, and also depreciation by 8.3%.

With regards to credit quality, we see overdue loans ratio standing at 3.3%. That compares to 2.5% last year and, therefore, the impairment charges remain at relatively high levels in order to enable us to maintain a coverage level of around 107%.

In Portugal we would also like to note that we remain the brand with the highest top of mind and spontaneous awareness compared to our competitors. And during the year we also continued to see that Millennium brand is still the brand that has gained the most value when compared to all our main peers.

In international operations the total contribution reduced to 16.8% -- EUR16.8 million, but we would like to highlight that our three main operations for Poland, Mozambique and Angola, have grown quite substantially by 43.2%, with Poland rising by almost 50%, Angola rising by 48.8%, and Mozambique rising by 34% to EUR20.6 million.

In Poland the net profit stood at EUR25.6 million, basically driven by improved core income and lower cost of risk. The return on equity reached 10.1%, pretty much in line, but it's already better than last year's 8.6% and is broadly in line with the target that the operation has to reach of 15% ROE level by 2013.

The net interest income increased by 17%, basically reflecting the improvement of the deposit margin. And commissions basically grew by 3% compared to an already very high fourth quarter 2010.

With regards to operating costs, we see an increase of 7%. That is basically due to the higher levels of activity. And we see a stable personnel cost throughout the most recent quarters.

With regards to customer funds, they grew by 10.9% to almost EUR10 million, whereas the loan to customers rose by 10%, with mortgage loans representing EUR6.1 billion, consumer loans EUR723 million, and loans to companies reaching EUR2.2 billion.

With regards to credit quality, we've started to see consistent improvement in the past few quarters to an impaired loan ratio reduced to 5.6%, with the coverage level of 57% improving by 2 percentage points. Therefore, we were able to reduce our cost of risk in the first quarter of 2011 to 41 basis points.

With regards to Mozambique, the net income increased by 34% to EUR20.6 billion, basically driven by higher banking income growing by 15.5%, whereas costs continued to show a 12.4% increase. Therefore, we see the return on equity reaching 41.9%.

The net interest income rose by almost 55% to EUR31.9 million, and operating costs are increased by only 12.4% considering an 8.5% increase in branches to 126 and 7.7% increase in number of employees to over 2,100. And therefore, the cost-to-income ratio has managed to decline by 1.1 percentage points to 37.9%.

Customer funds rose by 23.4% to almost EUR1 billion and loans to customers increased by 26.8% to EUR846 million, with very strong growth both in consumer loans and then to companies. The overdue loans ratio increased, though, moderately and coverage ratio stood at over 500%.

Core Millennium bim is, as you know, the market leader in Mozambique. And definitely, we continue to see continuous improved prospects for the Mozambiquean economy and we believe that this operation can still do very well in the next few years. The Bank has been considered Bank of the Year for the past three consecutive years by the Banker Magazine.

Now, with regards to Angola, net income rose by almost 50% to EUR7.3 million. This basically reflects the rollover of our expansion plan. And the banking income rose by 31% to EUR26 million, whereas operating costs rose by almost 25% to EUR13.8 million. The profitability, therefore, remains very high despite the ongoing expansion.

The net interest income, as you can see, increased quite significantly by 45% and the cost of income has managed to reduce by a further 2.4 percentage points to 53.1%. We continue also to see strong growth in commissions and, therefore, as you -- and the number of branches on a yearly comparison has increased by almost half.

Customer funds rose by 30% and loans to customers increased by almost 29%, with very relatively low levels of overdue loans, over 90 days of 2%, and a coverage ratio that is above 200%.

We continue to have a very strong expansion plan in this country. We have 39 branches and aim to reach to 100 branches in Angola and we would like to become the top five player. So, we will continue our expansion plan according to what we have designed.

We would also like to highlight that this specific operation has already won -- even though we've been expanding only for three years, it has been considered Bank of the Year 2010 by The Banker.

Now, with regards to operations in Greece, the operation has obviously been affected by the sovereign crisis, with net losses standing at EUR10.7 million. And we saw higher impairment charges when compared to last year of 97 basis points. The net interest income has been very negatively affected, and thus putting operating income under pressure whilst, at the same time, have managed to contain the operating cost.

Also in the past year, not specifically in the first quarter, but throughout the year, we've been slightly reducing the branch network.

The net interest income, as you can see, reduced to EUR20.7 million, and basically reflect a very negative margin in terms of the deposits, and also some pressure on the volumes. The loan book reduced by 3.3%, but we continue to see a negative performance in terms of customer funds in the country and, therefore, also in Bank Millennium -- and in Bank Millennium in Greece.

To summarize, the net income of EUR77.7 million reflects on the one hand a strong performance in the direct items that are more controllable by the Bank. Therefore, the net interest income grew by 17.9% with positive contribution from several of our international operations and in the contribution of Portugal.

We continue to have cost optimization policies with a 6.8% reduction in operating costs, and have had strong results from Poland, Mozambique and Angola, that together grew by 43%.

We have started the deleveraging process in Portugal whilst, at the same time, managing to increase our balance sheet customer funds, allowing for a strong reduction in the commercial gap. Whilst we've also strengthened our eligible asset pool to very comfortable levels. So, our capital increase proposals, obviously, will place the capsule ratios above our new regulatory requirements.

Going forward, what we aim to achieve, and presenting what we believe should be our view for the next three years, I would like to -- we believe that the current environment in Portugal provides a unique moment to create -- that creates unique opportunities to create value. And therefore, we will continue to reinforce our leadership in Portugal, grow in affinity markets, reassess our European portfolio, have partnerships in specialized areas and products with a clear funding and plan -- or a decisive capital plan.

We have our six pillars for a redesigned business model in Portugal that we aim to implement by the end of this year. And our capital increase is expected -- and launch the capital increase focus that is expected to be concluded during the first half of the year with three components that has already been disclosed to the market. First, the incorporation of reserves with -- in the amount of EUR120.4 million. That is already undergoing. That will conduct to the issuance of about 206,518,010 new shares.

Then, the second part that is an exchange public offer of up to EUR1 billion through the voluntary conversion for the holders of the perpetual subordinated securities. And after that is decided, then the Board has the opportunity to propose a capital increase with preference rights to shareholders. That is dependent on the conversion percent. So, if the conversion percentage of the EPO is below 75%, the amount to be subscribed would be the remainder into it reaches EUR1 billion. In case the percentage is over 75%, then the amount to be subscribed is -- the remainder until it reaches EUR1.25 billion.

This would, obviously, put our core Tier 1 into much higher levels that are closer to 9%. And that would put us above -- clearly above the regulatory requirements and in line with our peers.

Therefore, we believe we have some key opportunities. Based on our leadership in Portugal, we think that we should be able to reinforce our unquestionable leadership through our commercial activity and innovation. We believe that we can continue to improve the sustainability of medium long-term profitability to grow in the affinity markets through the reassessment of our European portfolio, and a very clear funding plan and very decisive capital plan.

So, I have now concluded the first quarter 2011 presentation and we are ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator instructions.) Andre Rodrigues, Caixa.

Andre Rodrigues - *Caixa BI - Analyst*

Hi. Hello, good afternoon. It's Andr   Rodrigues from Caixa BI. I have two questions for you. The first one has to do with the cost of risk. In the last conference call you said that you had the idea, you expect to which 80 basis points for the full year. And now in the quarter you have (inaudible) of 88. Do you maintain your expectations in line with last quarter?

The second question has to do with the special (inaudible) tax that was (inaudible) by the government, if you have any updated number on your expectations regarding this contribution.

And another one -- sorry. I said two questions, I have another one. I know that you usually don't give us updated figures on the pension fund, but I would like to know if you have any updated on the evolution of your pension fund, namely on the deviations outside the corridor and the evolution of the -- your assets during this quarter. Thank you very much.

Paulo Macedo - *Millennium bcp - EVP, CFO*

Hi, Andre, it's Paulo Macedo. Relating to your first question, we budget for this year a figure of the cost of risk around 80 basis points. What we have in mind is between 80 and 90 basis points. In terms of cost of risk, we haven't seen many new cases. What -- we haven't seen a deterioration in significant cases. What we have observed is that some cases that were monitored by us and that some impairments were already done entered in credit due.

So, our expectation is not to go much higher than the 80 basis points, but according to this economic cycle, I think that something around 80 or 90, more for the 90, and figure around what we have to -- in this first quarter will be a more realistic figure going forward.

Relating to your second question in terms of tax update, we have several doubts, I think as all banks, in terms of the computation and related to if the tax is due or not because of the timing of the decree law was published, and just being a specific tax just for the financial sector. But anyhow, we have accrued the tax already in this first quarter and the figure that we have will be around EUR22 million to EUR30 million for the year.

Relating to your third question in terms of the pension fund, I don't -- I didn't understand exactly if what you want was our --- the first quarter or where we are in terms of the deviation. In terms of the first quarter performance, the pension fund performance was 1.13%. So, if you multiply this by four you will have a small deviation for what is our target. So, nothing very significant. I don't know if this was the figure that you wanted or -- because in terms of the deviation, we only update the figure in the next quarter, as you know, to twice a year. So, in June and December.

Andre Rodrigues - *Caixa BI - Analyst*

No, okay. It's fine, it's fine.

Paulo Macedo - *Millennium bcp - EVP, CFO*

Okay.

Andre Rodrigues - *Caixa BI - Analyst*

It's fine because if I have the --

Paulo Macedo - *Millennium bcp - EVP, CFO*

The last figure.

Andre Rodrigues - *Caixa BI - Analyst*

Yes. I have the December figure, so with this 1.13% it's fine. Thank you. Thank you.

Paulo Macedo - *Millennium bcp - EVP, CFO*

Okay. Thank you, Andre.

Operator

Carlos Peixoto, BPI. Please go ahead.

Carlos Peixoto - *BPI - Analyst*

Hi. Well, just a couple of questions here. I was wondering if you could also shed some light on your views on the outlook for the evolution of NII throughout the year. And secondly, regarding ACB funding and its replacement by other means of financing, just to have a benchmark here. I noticed that in this quarter you had EUR1.5 billion of repos. I was wondering if you could shed some light on what was the cost of these repos so that we can have a benchmark for what could be the cost of replacing ACB funding by other means. Thank you.

Paulo Macedo - *Millennium bcp - EVP, CFO*

So, Carlos, starting to your question in terms of the net interest margin going forward, we maintain our budget in terms of the increase of the margin by the year of 2011 for a single digit, a medium to high single digit. If you look at our margin in Portugal, we have a strong increase, as you know, year on year. But also, we have only a slight decrease of 5.5% when you compare it to the fourth quarter. And as you know, the fourth quarter is the highest quarter typically in terms of net interest margin for our Bank and is the best quarter for the year.

So, of course, the outlook for the net interest margin will depend a lot on the repricing since the cost of deposits, it's not completely in our hands. But, we are putting repricing in place, as you can see and if you -- we are with specific actions that we continue in terms of net interest margin and in terms of commissions. And we think that the repricing in the second quarter will be even more visible.

Relating to ECB, I will ask our Group Treasurer, Pedro Turras, that you know, to respond to your question.

Pedro Turras - *Millennium bcp - Chief Treasurer*

(Inaudible) production, that's to say that our repos have been closed between 95 basis points up to just under 2%. In average, I should say that we are slightly above the ECB rate of 125. And the haircuts, nevertheless, have been better than the ECB haircuts. And most of the repos (inaudible) haircuts at all during the first quarter, and we're just speaking about those. So, in the overall, I think there is no significantly increase in the funding through the repos.

Operator

Carlos Berastain, Deutsche Bank.

Carlos Berastain - *Deutsche Bank - Analyst*

Thank you and good afternoon. Carlos Berastain from Deutsche Bank. I have a quick question, if I may. The ongoing capital increase will surely provide a significant boost to core Tier 1 for 200 basis points, but considering that some of European institutions, especially the Italians more recently, are taking the solvency levels beyond what is strictly required from a regulatory perspective, mostly in preparation for Basel III, I was wondering whether you could share with us what is bcp systems are soft today when it comes to the potential sale of non-core assets or maybe some banking subsidiaries in the coming eight quarters. And I'm talking about -- or thinking about in Poland in particular. Thank you.

Paulo Macedo - *Millennium bcp - EVP, CFO*

We maintain what we said previously in terms of target, that we will -- we want to maintain a core Tier 1 above the 8%. We think for the 8%, that now the -- as the Central Bank of Spain and the Central Bank of Portugal FX for Portuguese banks that are typically retail banks, is as great as we -- as stated in the past. So, we maintain that statement. But also, at the same time, we have a target to stay above that figure.

And so, with this capital increase, we will go between the 8.5% and the 9% and we are not counting the deleverage that we are committed. And so, by -- even by that way, we'll have a positive impact also on the core Tier 1, as you know.

But, I think your question mainly is, as always, related to Poland and not so much on the other areas that we can improve our core capital. Because clearly, after these cash -- this increase of capital that, as you know, is composed by a liability management operation and a part of cash core for the shareholders, we maintain the possible of liability management. If needed for the future, we maintain the possibility of not only deleverage by what we have already committed ourselves to decrease our credit in terms of EUR3 billion to EUR4 billion, which can also be added with some part of sales of credit. But also, with the IRB that we have filed in the central -- in the KNF in Poland last month, and we expect to work with the authorities in the next month, in May. So, even on that side, we expect positive news as we've told you before.

Relating to non-core assets and to divestment in other assets, we maintain what we told you before and even more. We are clearly very happy with our operation in Poland in terms of what it achieved and what was shown this quarter, a two-digit growth in terms of results, a two-digit growth in terms of loans and in terms of deposits.

We also think, as you know, that it's very positive to have a self-funded operation that is balanced between funds and loans. But, at the same time, like in the past, we are always looking what are the -- what the market value our operation and what are the opportunities. But clearly, what we state is the same as before. We are happy with the operation and we are looking what are the alternatives and the advantages. But clearly, the way of the -- we think the operation is on track.

Carlos Berastain - *Deutsche Bank - Analyst*

Excellent. Thank you. Very clear.

Operator

(Operator instructions.) Cynthia Voorhees, from Natixis Asset Management.

Cynthia Voorhees - *Natixis Asset Management - Analyst*

Yes, hello. I have two questions. The first question is, I've noticed that your amounts owed to credit institutions has increased significantly over the year. Can you give some color on that and tell me which part of that is from Portugal and what part is outside of Portugal? And my second question is, can you give some guidance as to what you expect for the growth loan level to be in Portugal at year-end? Thank you.

Paulo Macedo - *Millennium bcp - EVP, CFO*

Thank you, Cynthia, for your questions. In terms of the increase in credit institutions I think you are referring to our increasing ECV. That is the significant part that we show. I don't know if that's the figure that you are looking to or not. But, if you can tell me, we can comment on that.

In terms of the evolution of our credit portfolio, we fix the target in terms of our budget to 2011 to decrease our commercial gap in around EUR4 billion. And what we have stated at that time and that we maintain is at apart -- that is part would not become from the increases in terms of deposits, the decrease in terms of the credit should be higher. So, what we see nowadays is that the increase of deposits is not happening at the pace that we would like, so we will decrease more on the credit side.

Last year, as you know, we had reduced our consumer credit part. We have reduced our corporate, also, credit in Portugal, and we have increased a bit our mortgage portfolio. What will happen this year is not -- that only not the consumer credit will decrease, but also the mortgage portfolio. So, we expect a decrease in the consumer credit portfolio and in the mortgage portfolio around EUR1 billion. And the rest -- another significant reduction from the public sector financing, and the other will come across the companies.

I would like to check with you if this will respond to your questions.

Cynthia Voorhees - *Natixis Asset Management - Analyst*

Thank you.

Operator

Carlos Peixoto.

Carlos Peixoto - *BPI - Analyst*

Hi once again. Regarding sovereign exposure, we have already seen the data on the exposure. I was just wondering if you could give us some color on how (inaudible) what's the currently valuation of (inaudible), sort of putting it in another manner, whether it be -- whether there are any relevant or potential capital gains in the (inaudible) portfolio which is accounted as available for sale. Thank you.

Paulo Macedo - *Millennium bcp - EVP, CFO*

In terms of the -- in this quarter, in terms of variation to our sovereign exposure, what we can serve is some reduction in terms of our treasury bills that, as you know, a significant part mature, then we are market makers so we buy wholesale. And so, that is the -- I would say the usual volatility of this kind of securities.

In terms of long-terms Portuguese securities (inaudible), we have not significant changes in this. And in terms of our portfolio for available for sale, we don't have capital gains on that in terms of the Public of Portuguese public debt.

Operator

(Operator instructions.) Juan Lopez, Espirito Santo.

Juan Lopez - *Espirito Santo Investment - Analyst*

Hi. Hello, good afternoon. I have a couple of questions. One is a follow-up question. You guys mentioned that in your AFS portfolio you don't have any capital gains in your Portuguese debt portfolio. I don't know if you could share with us what's the unrealized losses on this book. The second question is regarding capital and if you could comment, if the Basel III rules were applied today, what will be the impact in your case?

And if I may, a detailed third question. It's regarding the other net operating income. You mentioned in your report that there's an adjustment related to insurance premiums associated with pensions in the (inaudible). I don't know if you could provide us what's the amount of this adjustment. Thank you.

Paulo Macedo - *Millennium bcp - EVP, CFO*

Relating to your first question, in terms of our portfolio to available for sale, we have a very small amount in terms of the available for sale portfolio in terms of public debt, EUR200 million. So, there are no significant losses or gains on that side.

Relating to the third quarter about what are the impact of those insurance premiums that we refer in our report, this revenue was EUR13 million net of taxes.

I will ask if you can repeat our second question, please.

Juan Lopez - *Espirito Santo Investment - Analyst*

Yes. Thank you for your answer. My second question is if the Basel III rules were applied as of today, what will be the impact for your bank? Putting it another way, what would be the core capital ratio on the Basel III rules?

Paulo Macedo - *Millennium bcp - EVP, CFO*

Yes, we haven't disclosed that rules yet because we have to know what will happen with the risk-weighted assets and with the insurance companies. And so, we are -- we haven't disclosed that. But, what we have disclosed is that we have a target to comply clearly within our core capital ratio higher than 8%. And what we believe is, in terms of the organic generation of capital, plus the other areas that I refer some minutes ago, that we will comply with Basel III according to their timings and, of course, expecting before the timetable that is putting on the table.

Okay. Thank you for your questions.

Juan Lopez - *Espirito Santo Investment - Analyst*

Thank you.

Operator

As we have no further questions, I'd like to turn the call back over to our host today, Mr. Carlos Santos Ferreira, for any additional or closing remarks.

Carlos Santos Ferreira - *Millennium bcp - Chairman, CEO*

Okay, ladies and gentlemen, let me finish this presentation with two last remarks.

First, during the first quarter of 2011, we keep on dropping initiatives that aim to deleverage the balance sheet and address liquidity risks and capital management. Second, by facing the future with a more robust capital base, Millennium bcp will be better prepared to explore and benefit from new opportunities in the market. Our strategy will remain focused on reinforcement of leadership in Portugal and in other affinity markets.

Thank you, all of you, and I believe that we will be together again in the next quarter. Thank you. Bye.

Operator

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