2009 Annual Report

Volume I

Millennium bcp

Life inspires us

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Financial highlights

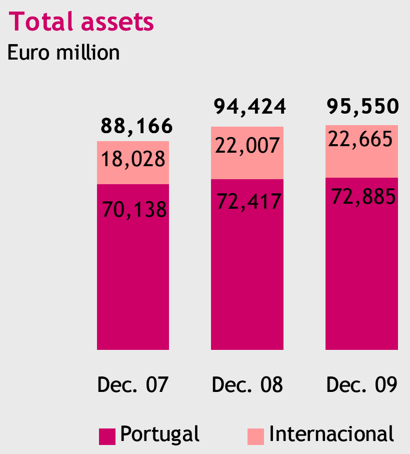
Financial highlights						Euro million
	2009	2008	2007	2006	2005	Chan. % 09/08
Balance Sheet						
Total assets	95,550	94,424	88,166	79,045	76,850	1.2%
Loans and advances to customers (net) (1)	75,191	74,756	65,225	56,327	52,700	0.6%
Total customer funds (1)	67,002	65,803	63,247	56,520	55,797	1.8%
Shareholders' equity and Subordinated debt	9,108	8,559	7,543	7,562	7,208	6.4%
Profitability						
Net operating revenues	2,493.2	2,602.0	2,791.9	2,874.7	3,016.9	-4.2%
Operating costs	1,540.3	1,670.8	1,748.6	1,725.5	1,908.2	-7.8%
Impairment	657.4	589.2	355.1	155.3	170.7	11.6%
Income tax	46.2	84.0	69.6	154.8	97.4	-45.0%
Minority interests	24.1	56.8	55.4	52.0	87.0	-57.6%
Net income attributable to the Bank	225.2	201.2	563.3	787.1	753.5	11.9%
Cost to income	63.6%	58.6%	60.3%	61.2%	64.7%	
Return on average shareholders' equity (ROE)	4.6%	4.5%	14.9%	23.4%	25.2%	
Return on average total assets (ROA)	0.2%	0.2%	0.6%	1.0%	1.0%	
Credit Quality						
Past due loans (>90 days) / Total loans	2.3%	0.9%	0.7%	0.8%	0.8%	
Past due loans (>90 days) + doubtful loans/Total loans	3.4%	1.3%	1.0%	1.1%	1.1%	
Total impairment / Past due loans (>90 days)	119.0%	211.6%	251.8%	284.8%	301.8%	
Cost of risk (2)	76 b.p.	74 b.p.	39 b.p.	21 b.p.	21 b.p.	
Solvency						
Core Tier I ratio (IRB *)	7.1%	-	-	-	-	
Tier I ratio (IRB *)	9.2%	-	-	-	-	
Core Tier I (standard)	6.4%	5.8%	4.5%	4.9%	5.3%	
Tier I (standard)	9.3%	7.1%	5.5%	6.6%	7.4%	
Total (standard)	11.5%	10.5%	9.6%	11.0%	12.9%	
BCP Share						
Market capitalisation (ordinary shares)	3,967	3,826	10,545	10,112	8,361	3.7%
Earnings per share adjusted (euros)						
Basic	0.034	0.034	0.128	0.184	0.199	-1.6%
Diluted	0.034	0.034	0.128	0.184	0.182	-1.6%
Market values per share (euros)						
High	1.075	2.646	4.300	2.880	2.390	-59.4%
Low	0.556	0.685	2.570	2.140	1.880	-18.8%
Close	0.845	0.815	2.920	2.800	2.330	3.7%
Branches						
Activity in Portugal	911	918	885	864	909	-0.8%
International activity	898	886	744	615	643	1.4%
Employees						
Activity in Portugal	10,298	10,583	10,742	10,808	11,465	-2.7%
International activity	11,498	12,006	10,380	8,517	8,183	-4.2%

(1) Adjusted from companies in the process of sale - Millennium bank Turkey (2005 to 2008).

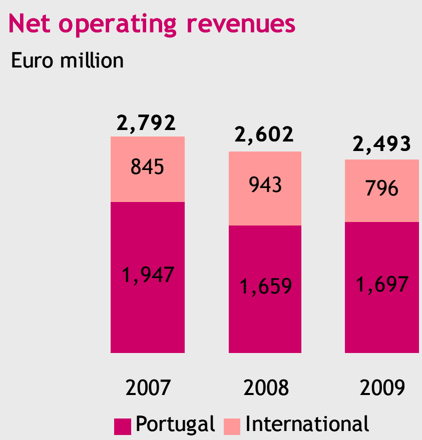
(2) Excludes loans represented by securities.

(*) Pro forma capital ratios determined according to the release authorisation from the Bank of Portugal (detailed information in the Financial Review on the chapter "Capital Management").

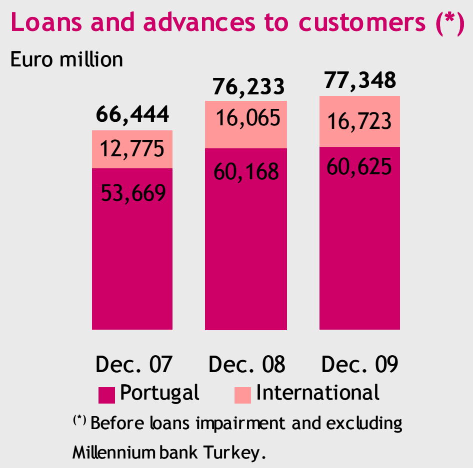
Highlights



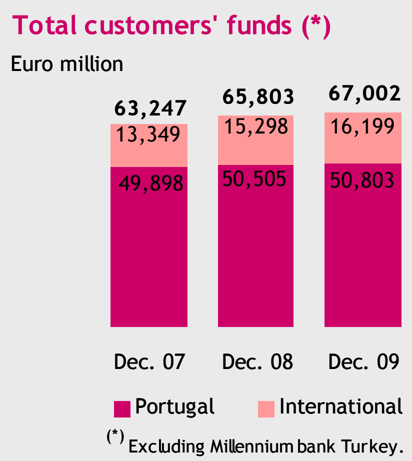
Total assets
Euro million
88,166
94,424
95,550
18,028
22,007
22,665
70,138
72,417
72,885
Dec. 07
Dec. 08
Dec. 09
Portugal
Internacional



Net operating revenues
Euro million
2,792
2,602
2,493
845
943
796
1,947
1,659
1,697
2007
2008
2009
Portugal
International



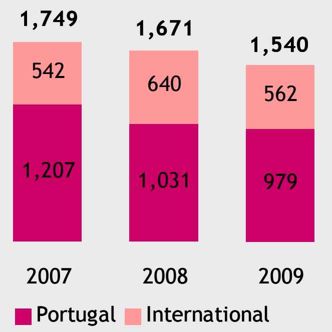
Loans and advances to customers (*)
Euro million
66,444
76,233
77,348
12,775
16,065
16,723
53,669
60,168
60,625
Dec. 07
Dec. 08
Dec. 09
Portugal
International
(*) Before loans impairment and excluding Millennium bank Turkey.



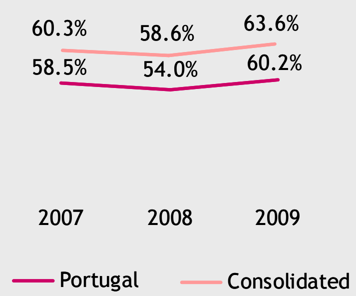
Total customers' funds (*)
Euro million
63,247
65,803
67,002
13,349
15,298
16,199
49,898
50,505
50,803
Dec. 07
Dec. 08
Dec. 09
Portugal
International
(*) Excluding Millennium bank Turkey.

Operating costs

Euro million



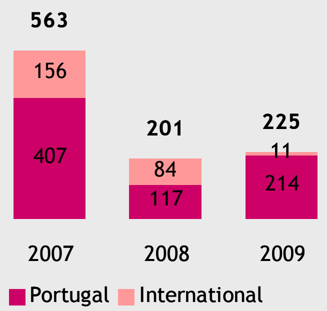
Cost to income (*)



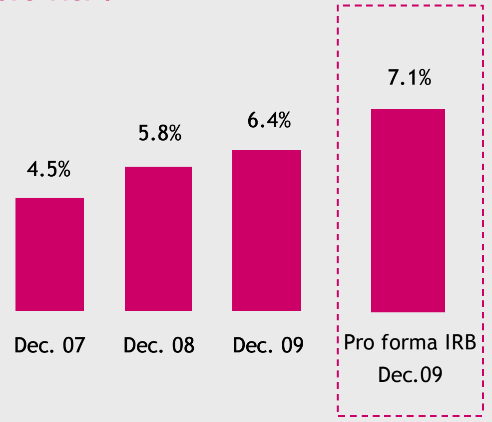
(*) On a comparable basis.

Net income

Euro million



Core Tier I



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Message from the Chairman of the Supervisory Board

Dear Shareholder:

Complying with the legal and statutory provisos applicable to it, the Supervisory Board undertook the supervision and monitoring of the activities of the Executive Board of Directors, working in close cooperation with the latter so as to adequately pursue the interests of the Bank and of its shareholders and stakeholders.

Considering the exceptional circumstances experienced in 2009 by the international financial markets, the banking system and the Bank's management, the Supervisory Board closely monitored the on-going debates regarding changes to the regulatory framework of the banking sector, and took part in the public consultation promoted by Comissão de Mercado de Valores Mobiliários regarding corporate governance practices that ended with a revision of the corporate governance regime in effect.

The Supervisory Board also helped the Executive Board of Directors manage the group's strategic priorities, facing an adverse situation, in terms of both macro-economy and market conditions, confirming that the Bank has shown great resilience commercially and that it has been focusing on risk control and on capital and liquidity management. I believe the institutional relation between the Supervisory Board and its Specialized Committees and the Executive Board of Directors is especially noteworthy, having been always straightforward and positive, enabling a constructive approach to the issues appraised throughout the year.

Considering the level of demand faced by the Executive Board of Directors and by the Group's Employees in their respective countries, I would like to use this opportunity to thank them all for their work, their commitment and their diligence towards the Group.

To conclude I would like to thank each member of the Supervisory Board for their loyal dedication and commitment that made it possible and gratifying for the Board to fulfil the duty of supervising the Bank's functioning.

Luís Champalimaud

Message from the Chairman of the Executive Board of Directors

The past two years will be recalled as one of the most troubled periods since the Great Depression of the 1930s, with devastating effects on manufacturing, employment and, consequently on the banking business. The financial sector and has been at the epicentre of the crisis, partly as a result of poor perception, at various levels, of the risks incurred. In addition to the deterioration of the global macroeconomic environment at the end of 2008 and early 2009 there was the impact of the preceding financial turbulence, bringing considerable pressure on the profitability and solvency of financial institutions.

The year under review was marked by the increase in non-performing loans, in an initial stage as collateral damage of the depreciation of assets but, at a later stage, as a reflection of worsening economic activity, bringing to light the propagation of the initial financial crisis.

The erosion of the capital base of the financial institutions drove an increase of own funds through the issue of shares or hybrid instruments. In parallel, central banks cut their interest rates to almost zero levels and adopted extraordinary measures to inject liquidity into the system. Governments provided financial support to recapitalise companies and guarantees to cover debt issues on the international markets, and established mechanisms to circumvent problems related with financial assets with no active trading market. These joint actions allowed a gradual return to debt issuance on the international markets, with longer maturities, notwithstanding the much higher funding costs.

As a result of the public policies directed at supporting the economies, the first signs of the international crisis containment were seen during the second half of 2009. However, owing to the extent of the damage caused previously, this recovery was not enough to prevent the first global economic recession in several decades.

Banking business in Portugal replicated the situation seen in the euro area, involving moderation of the business volumes, pressure on net interest income, volatility of trading income and a deterioration of loan quality. Revision of the spreads on loans is under way, aligning domestic price lists with the higher cost of funds was not sufficient to stabilize the net interest income. Difficulties in obtaining funds on the capital markets were attenuated and domestic financial institutions adjusted their financing plans in accordance with market opportunities, allowing a lengthening of debt issued, particularly through recourse to the issue of covered bonds during the second half of 2009. In parallel, there was a strengthening of the capital base of the most relevant financial institutions in Portugal.

Though in a particularly adverse context and under pressure from several exogenous variables, Millennium bcp went ahead within the main strategies defined for 2009, launching a number of measures based on the pillars of Solidity and Confidence; Commitment and Performance; and Sustainability and Value. Special attention was paid to strengthening capital ratio, improving the liquidity position and perfectioning the internal-control and risk-management systems, on par with the ongoing effort to improve efficiency through continuous, effective action directed at costs and at strengthening the commitment to the customer, including maximisation of customers’ funds captured and income. At the same time, the business models were also adjusted in the operations in Poland and Romania were established to materialise the growth opportunities in Angola and Mozambique and Private Banking was restructured. Mention should also be made of the measures in terms of talent management and employee mobility.

Emphasis is also given to several positive aspects against this adverse background: (i) the Bank issued euro one billion of Perpetual Securities under the debt securities issue programme; (ii) long term dept issues reaching euro 5.6 billion; (iii) customer confidence in the Bank was reflected in an increase of the Retail network's customer satisfaction index to the highest figure in the past five years; (iv) efficiency improvement with 7,8% operating costs reduction at consolidated level; (v) the control over the commercial gap, with customer deposits up 3.9% and loans to customers increased 1.5%; (vi) the greater proximity to and support for customers through initiatives such as the creation of a financial advisory service and the restructuring of loans to allow individuals to avoid default, increased disclosure of Microcredit as a means of job creation and the organisation of the "Millennium Encounters" that continued to be prime opportunities for contacts between the Bank and local communities; (vii) the turnaround capability of the Polish operation, in a climate of crisis and foreign-exchange instability; and (viii) the continuation of the expansion plans of the branch networks in Angola and Mozambique.

For the first year the Bank of Portugal granted authorisation to disclose the capital ratios adopting the IRB approach to credit risk within the scope of Basel II, causing the core Tier I and Tier I ratios to stand at 7.1% and 9.2%, respectively, as at 31 December, 2009.

In 2009 the vision of "Focus and Transformation" was adopted as the transverse theme at the corporate and business level for 2010-12, materialised through the focus on the European portfolio and the affinity markets and through transformation of the business model in Portugal.

Transformation is necessary to recover the path to growth and to the creation of value, and motivating in the sense that it sounds the call for employee higher involvement. Transformation of the business model in Portugal consists of a return to growth in Retail, ensuring profitability and efficiency in the Companies segment and sustaining the cost-cutting efforts. The strategy of focus on and affinity with the international operations materializes on a focus on those European markets that allow a competitive presence and a significant position in the medium- and long-term, and for the continuity of investment in the affinity markets.

Millennium bcp is undergoing transformation, though it is institutionally stable, commercially resilient, focused on risk control, on efficiency, on innovation and on customer service. With mobilisation and involvement of employees, customers and the remaining stakeholders around the new vision and the commitment to proper management of the short-term demands, the Bank is in a position to sustain a competitive presence and an important position in the marketplace in the long-term, and I am therefore confident that we will face successfully the challenges of the future.

Carlos Santos Ferreira

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Executive Board of Directors

Nelson Machado   Luís Pereira Coutinho   Paulo Moita Macedo (Vice-Chairman)   Carlos Santos Ferreira (Chairman)

Vítor Lopes Fernandes (Vice-Chairman) José João Guilherme Miguel Maya

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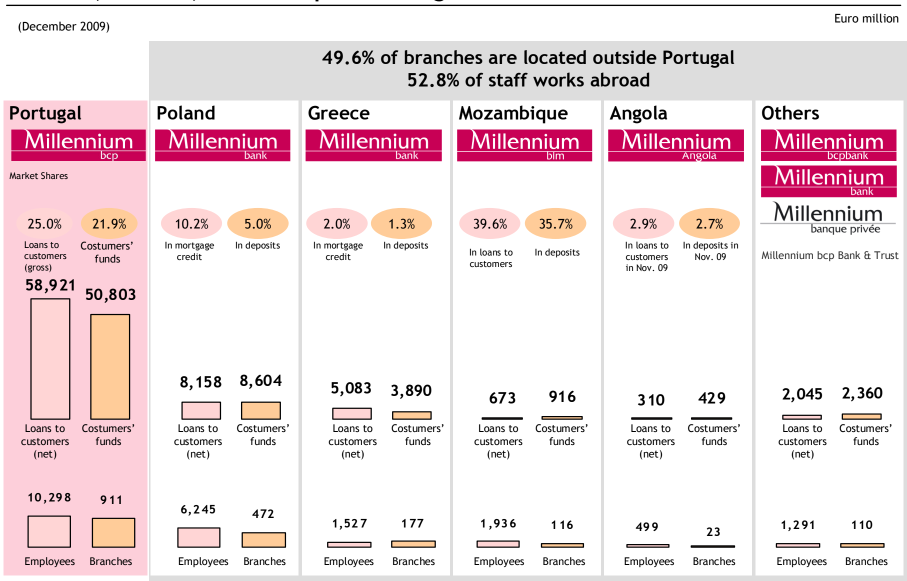
Millennium Group

Millennium bcp is Portugal's biggest private-owned bank. It has its decision centre in Portugal and holds an outstanding position within the Portuguese financial market: it is the second bank in market share, both in loans to customers (about 25%) and in total customers' funds (about 21.9%), and it has the country's largest banking distribution network, with a total of 911 branches. It is also a reference institution in Europe and Africa, involving its banking operations in Poland, Greece, Mozambique, Angola, Romania and Switzerland, as well as the United States of America. All these operations trade under the Millennium brand.

The Group focuses on retail distribution in Portugal, Poland, Greece, Mozambique and Angola. Its business in Portugal accounts for 76% of total assets, 78% of net loans to customers, 76% of total customers' funds, and 95% of net income in 2009. International operations account for almost 53% of the Group's approximately 21.8 thousand employees and for circa of 50% of the total of 1,809 branches. Emphasis is given to the growing size of the Bank Millennium in Poland, with 472 branches and a market share of about 5% both in customers' deposits and in loans to customers, the Millennium bim's leadership of the Mozambican market, the Greek operation with its 177 branches and Banco Millennium Angola, which has doubled its customer base in 2009.

A leading Group focused on the Retail business in Portugal, Poland, Greece, Mozambique and Angola



Source: BCP. Market shares in Portugal are based on Portuguese Banking Association and Portuguese banks' public data. Market shares in Poland are from the Polish Banks Association and Polish Asset Managers Association. Market shares in Greece are based on Bank of Greece and Greek banks' public data. Market shares in Mozambique are based on Bank of Mozambique public data. Market shares in Angola are based on National Bank of Angola public data.

The Group offers a wide range of banking products and related services, namely current accounts, means of payment, savings and investment products, mortgage loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, investment banking, among others, serving its customers on a segmented basis.

With the biggest branch network in Portugal and a growing network in those other countries in which it operates, the Group also provides remote banking channels (telephone banking service and Internet banking services), which also act as distribution points for the Millennium products and services.

Banco Comercial Português, S.A. (abreviated named as "BCP", "Millennium bcp" or "Bank") was set up in 1985 as the first private-owned bank to be incorporated following the start of the process of deregulation and development of the Portuguese financial system. Since its foundation, BCP has been renowned for its dynamism, innovation, competitiveness, profitability and financial strenght, making its mark as a reference institution in several areas of financial products and services. The Bank has achieved successive growth stages and has been involved in the acquisition, restructuring and integration of several financial institutions in Portugal. BCP's growth catalysed the evolution of the Portuguese banking system, to become one of the most developed, modern and innovative in Europe.

From 1998, the Bank clearly opted for a strategy of internationalisation after having consolidated a relevant position on the Portuguese market. The implicit objectives were the prospects of strong growth in foreign markets having close historic connection with Portugal or with large communities of Portuguese descendants, and with markets in which there was a strong commercial rationale calling for the establishment of banking operations using a model similar to that employed by the Bank in Portugal.

Business Areas and Support Units

Business Areas

Retail & Companies Banking
- Retail Banking (South, Centre South, Centre North, North)
- Madeira Regional Department and Azores Regional Department
- Retail Banking Support Division
- Companies Banking (South, North)
- Direct Banking
- Microcredit
- Marketing Department
- Companies Marketing Department

Corporate & Investment Banking
- Corporate I and II
- Investment Banking Department
- Treasury and Markets Department
- International Department
- Specialised Credit Department
- Real Estate Promotion Department
- Tax Advisory Services - Investment Banking

Private Banking & A.M.
- Private Banking
- Asset Management
- ActivoBank7

European Banking
- Bank Millennium (Poland)
- Millennium bank (Greece)
- Millennium Banque Privée (Switzerland)
- Banca Millennium (Romania)
- Millennium bank (Turkey)

Other international operations
- Millennium bim (Mozambique)
- Millennium Angola
- Millennium bcp Bank & Trust (Cayman Islands)
- Millennium bcpbank (USA)

Support Units

Banking Services
- IT Department
- Operations Department
- Credit Department
- Credit Recovery Department
- Administrative and Logistics Department
- Rating Department
- Prevention and Safety Office

Corporate Areas
- Risk Office
- Compliance Office
- Planning and Budget Control
- Research Office
- Assets and Liabilities Management Department
- Management Information Department
- Accounting and Consolidation Department
- Investor Relations Department
- Audit Department
- Legal Department
- Tax Advisory Services Department
- Staff Management Support Department
- General Secretariat
- Millennium bcp Foundation
- Quality Department
- Communication Department
- Financial Holdings & Valuation
- Litigation
- Optimisation & Performance Project
- Company Secretary
- Office of the Chairman of the EBD
- FBSU - Foreign Business Support Unit

At year-end the organisational model is based on five business units – Retail Banking and Companies; Corporate and Investment Banking; Private Banking and Asset Management; Business in Europe; and Other International Business, besides two support units – Banking Services and Corporate Areas.

Five of these seven areas have Coordination Committees, the aim of which is to simplify the articulation of day-to-day management decisions, involving the top management of the units included in each business unit and support unit, whose mission is to align perspectives and to provide support to the Executive Board of Directors (EBD) in decision-taking.

The **Retail Banking & Companies Committee's** coordinate the retail business in Portugal, being responsible for the definition of the commercial strategy and for its implementation within the several distribution channels. Some of the divisions' responsability is also to serve, in Portugal, the customers of the Companies segment, providing them with personalised management, and to capture potential customers, developing skills in terms of design, management and support to the sales of products and services, acting proactively in the creation of instruments that allow optimisation of customer management in order to maximise value created and satisfaction levels. The Retail Banking Support Division created in 2009 is responsible for helping the retail network to achieve its goals, in several areas and with a wide scope, by disseminating and sharing best practices.

The **Corporate & Investment Banking Committee**'s divisions are responsible for serving, in Portugal, customers of the Corporate and Investment Banking segment. It is also responsible for, monitoring and managing the international areas across the Group, for, the offer of leasing, renting, factoring products, real estate development and protocol credit and/or re-financed, as well as for the management of the relations established with the several chambers of commerce and public entities. On August 31, 2009, Banco Millennium bcp Investimento S.A. was incorporated into BCP, through the transfer of the incorporated company's assets to the incorporating company, and consequent extinction of Millennium bcp Investimento, S.A.. As a result two divisions were created: Investment Banking and Treasury and Markets.

The **Private Banking & Asset Management Committee** evaluates aspects related with the management of the areas within its responsability, particularly, business analysis, the valuing of the assets managed, and the results obtained, together with the analysis of the sales and of the performance of investment funds.

The **European Banking Committee**'s oversees, coordinates and articulates the management of the subsidiary companies in Europe, implementing activity reporting procedures and of financial development that may enable a systematic and adequate monitoring of the several operations, including budget compliance control, activity and financial evolution, as well as support for the decision-making and subsequent implementation of resolutions involving restructuring, investment and divestment.

The **Banking Services Coordination Committee** departments' serve the Business Units in Portugal and in other countries, contributing in a sustained manner for the reduction of costs and improvement of service quality, and assuring an innovation level compatible with the Group's growth objectives. It assesses information relating to the cost evolution and main service levels in Banking Services and also the proposals presented by the respective members it presents, for appraisal and decision, proposals on themes related with the following Departments: Credit, Credit Recovery, Operations, Administrative and Logistics, Information and Techonology; and the Prevention and Safety Office. To ensure that the risk inherent in all the Bank's customers is properly assessed, the Rating Division was set up in July 2009.

Other International Business

The overall coordination of operations in Africa and the United States of America has been taken over directly by the Millennium bcp directors responsible for those operations as it was considered that the specifics of the markets warrant individualised treatment and, consequently, that they would not benefit from integration into Coordination Committees.

Additionally, five commissions and one committee report to the EBD whose duties are of an overall, transverse nature, involving the study and evaluation, for each area of intervention, of the policies and principles governing the activities of the Bank and of the Group. These commissions are subject to detailed treatment in the Corporate Governance Report. The members of the commissions are appointed by Millennium bcp's EBD in accordance with articles 13.º and 14.º of the EBD working regulations.

In 2009 Millennium bcp launch new strategic priorities that rest on three pillars: Solidity and Confidence – with a focus on risk management and capital liquidity; Commitment and Performance – strengthening the commitment to the customers, maximising funds and profits, and seeking to accelerate cost reduction and organisation streamlining; and Sustainability and Value – adjusting the business models and materialising growth opportunities, simultaneously with talent management and employee mobility.

In accordance with International Financial Reporting Standards (IFRS) the Group had at December 31, 2009 total assets of euros 95,550 million and total customers' funds amounting to euros 67,002 million. Loans to customers (net, excluding securitised credit) amounted to euros 75,191 million. The consolidated solvency ratio, calculated in accordance with Bank of Portugal rules, stood at 11.5% (Tier I at 9.3%). BCP shares are listed on Euronext Lisbon and market capitalisation as at December 31, 2009, stood at euros 4.0 billion. The adverse economic envirnoment in Portugal, Poland and Greece during 2009 reflected in the expectations of a reduction on net income and of asset quality, leaded some rating agencies to revise their long term ratings for BCP. Contrary to what had been seen in recent years, according to the rating agencies the international operations contributed to an increase of the Bank's risk profile, rather than acting as a source of diversification of revenues. The Bank strengthened its liquidity and solvency position, with Tier I exceeding the minimum recommended by the Bank of Portugal, through, namely, the issue of perpetual subordinated securities with conditioned interest, amounting to euro one billion.

During the 1st half of 2009 the Bank received Bank of Portugal authorisation to use the standard method for the operational risk (on a consolidated basis and, at individual level, for the portuguese entities), and to adopt advance methods (internal models) to the general market risk (in Portugal) and is finalising the process of certification of the Internal Ratings Based (IRB) method for the credit and counterparty risks. Currently, the Group's candidacy to the use of internal ratings based metohods, for the the credit and counterparty risk regulatory capital calculation, is on an advanced stage fo evaluation by the supervisor.

Latest Ratings in 2009

- Downgrade, by Moody's, on September 16, 2009, of the ratings awarded to Banco Comercial Português, S.A., simultaneously with the other Portuguese banks, namely financial solidity from "C+" to "D+" (3 notches) and long term from "Aa3" to "A1", revising the outlook from "stable" to "negative";
- Reaffirmation by Fitch Ratings, on August 4, 2009, of the ratings of Banco Comercial Português, S.A., keeping the outlook "stable" and downgrading the individual rating to "B/C";
- Downgrade, by Standard & Poor's, on July 30, 2009, of the ratings of Banco Comercial Português, S.A., from "A/A-1" to "A-/A-2", revising the outlook from "negative" to "stable".

Moody's Investors Service

	16th September 2009
Bank Deposits	A1/P-1
Outlook	Negative
Bank Financial Strength	D+
Senior Unsecured – Domestic Currency	A1
Subordinated MTN – Domestic Currency	A2
Preferred Stock	Baa1
Other Stock Term – Domestic Currency	P-1
Bank Millennium, S.A.	
Outlook	Negative
Bank Deposits	Baa2/P-3
Bank Financial Strength	D
BCP Finance Bank, Ltd.	
Outlook	Negative
Senior Unsecured MTN – Domestic Currency	A1
Subordinated MTN – Domestic Currency	A2
Bkd Commercial Paper - Domestic Currency	P-1
Other Short Term – Domestic Currency	P-1

Fitch Ratings

	4th August 2009
Long term/Short Term Issuer Default Rating	A+/F1
Outlook IDR	Stable
Individual	B/C
Support	2
Support Rating Floor	BBB

Standard & Poors

	30th July 2009
Counterparty Credit Rating	A-/Stable/A-2
Certificate of Depoist	A-/A-2
Commercial Papel	A-2
Senior Unsecured	A-
BCP Finance Bank, Ltd.	
Senior Unsecured	A-
Subordinated	BBB+
Commercial Paper	A-2
BCP Finance Co.	
Preference Stock	BBB-

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Millennium Network

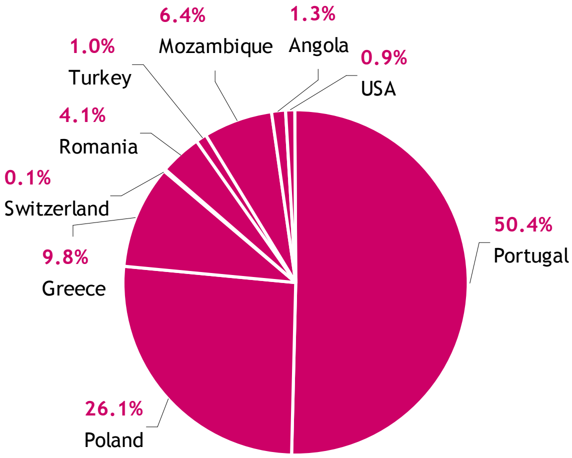
Distribution Network

1.809 Millennium branches

Number of branches

	2009	2008	2007	Var.%09/08
Total in Portugal	911	918	885	-0.8%
Poland	472	490	410	-3.7%
Greece	177	178	165	-0.6%
Switzerland	1	1	1	0.0%
Romania	74	65	40	13.8%
Turkey	18	18	16	0.0%
Mozambique	116	100	85	16.0%
Angola	23	16	9	43.8%
USA	17	18	18	-5.6%
Total of International Operations	898	886	744	1.4%
Total	1,809	1,804	1,629	0.3%

Branches breakdown



Remote channels and self banking

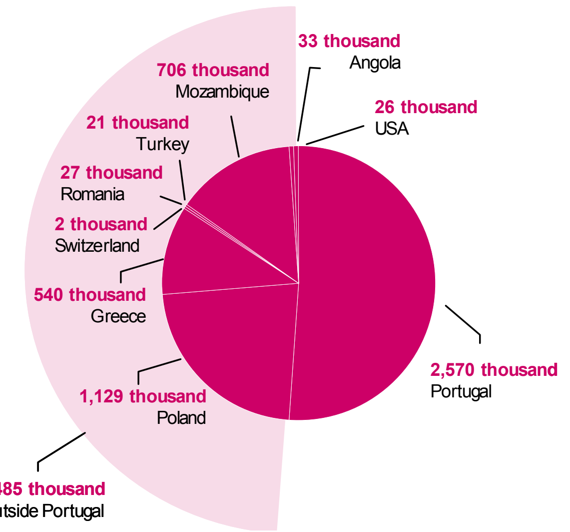
	Internet	*Call Center*	*Mobile banking*	ATM [(2)]
Total in Portugal	**488,339**	**117,822**	**24,519**	**2,644**
Poland	406,919	91,563	1,987	573
Greece	13,094	11,711	-	278
Romania	4,648	-	-	77
Mozambique	16,518	106,056	12,447	289
Angola	959	-	-	24
USA[(1)]	2,546	2,546	-	34
Total of International Operations	**444,684**	**211,876**	**14,434**	**1,275**
Total	**933,023**	**329,698**	**38,953**	**3,919**

Note: Customers who used the channel at least once in the last 90 days (30 days in the case of Poland and Mozambique)

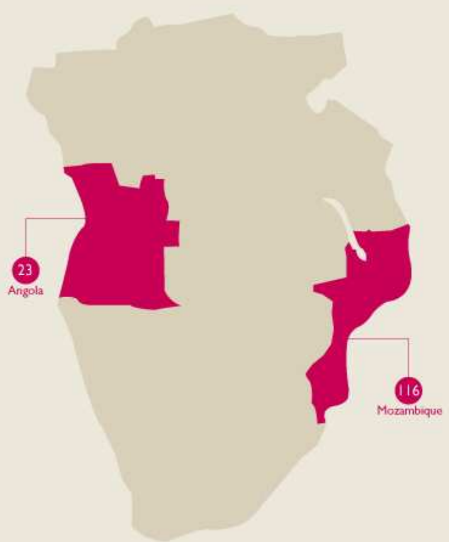
(1) Registered customers
(2) Automated Teller Machines

Number of customers

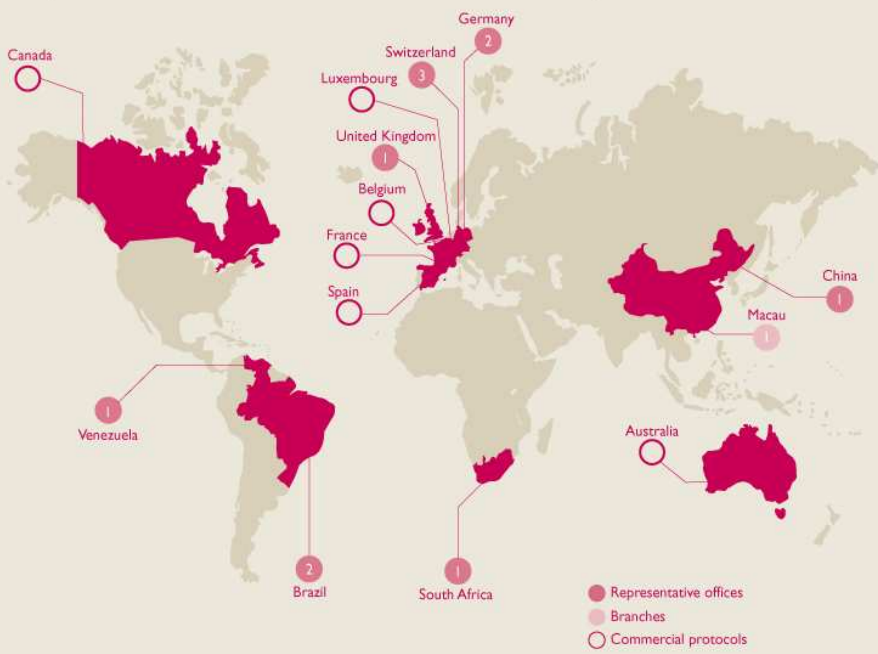
5.1 million customers



Angola and Mozambique



Representative offices, branches and commercial protocols



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Millennium Brand

As the expression of the Bank's franchise value the Millennium brand is key because of the influence it has on retaining customers and on attracting new customers, and for establishing close relations between the customers and the Bank, driving the creation of value and contributing to increased profitability.

The value of the brand is an intangible communication asset that is largely dependent on the effectiveness of communication, both advertising and institutional, to increase the notoriety of the brand and to increase its contribution to the commercial and institutional value of the Bank as a whole. The promotion strategy and practice, focuses on psychological and cultural proximity to the customers in terms of naming, with a view to increasing the perception of the Bank's proposal and to whom it is addressed. Concerning to this it deserves mentioning the fact that Millennium bcp was the leader, in 2009, of top-of-mind and spontaneous brand notoriety within portuguese private banks (According to Marktest – BASEF). Millennium bcp has also obtained the first place within the Portuguese private banks in the study "Global Top 500 Bank Brands" conducted by Trade Finance. In institutional communication the Bank was also in a leading position in the association of the brand music sponsorship and was outstanding in the areas of culture and football, through which it strengthened its exposure and notoriety levels.

The value of the brand represents mainly Millennium bcp's core business: retail banking. The franchise value of the Millennium brand, which now acts as the visible symbol of nine banks in various countries, in not merely the set of graphic characteristics and their rules of application, providing users with a relatively homogeneous perception of the business entities that use the same name. This is a first step important but not suficient in itself, on the way to the construction of value in terms of brand franchise. But is essential that the Millennium brand be sustained by a retail banking model that has a common base, progressively enriched through the experiences of the various operations.

Millennium bcp's development strategy has been based, since its incorporation, on constant analysis of the customers' financial needs and on the development of new products and services, as well as on the optimisation of operational customer service platforms and on more agile organisational solutions. Market segmentation and the creation of business areas have allowed the development of a very special service, optimising both quality and innovation and also the means and resources used in approach to each market segment. Millennium bcp has always promoted an in-house process of search for excellence, with which it continuously reaffirms the commitment to innovate with a view to generating additional value for stakeholders. The Millennium bcp brand in Portugal has, from the outset, been associated with innovation, with the quality of the products and services provided and with the modernity and efficiency of its branches.

Following the process of international rebranding, concluded in 2006, in which the Millennium brand was adopted as the single brand, of a multi-domestic nature with a supranational identity, and the consolidation of this new brand supported by a common code of communication, the Bank began a process of sharing creative ideas and motivating concepts with a unified sense of belonging and of perception in relation to the brand.

Millennium bcp is perceived as a young, modern bank, characterised by professionalism, personalised relationships and the excellence of its service, dynamic in its communication and offering top quality. Millennium bcp seeks to leverage these differentiating values and factors in order to continue the growth of the business and consolidate our leadership in retail, thus strengthening the value of the brand.

In 2009 the resilience and the power of the brand were put to the test. The context of the international financial crisis that affected the confidence and the inherent values of the Millennium brand conditioned the style and reach of the communication undertaken in Portugal. Concepts such as confidence, security, tranquillity and openness to constant and constructive dialogue with all present and potential customers, shareholders and other stakeholders, reinforcing the Bank's association with social responsibility, were used with regularity. This communication effort affected all the campaigns that were organised, always following best market practices and ensuring conformity with the regulations issued by the supervision authorities. The Bank launched several initiatives with a view to reinforcing the value of the brand:

Major campaigns

Underlying 2009 principal campaigns was the priority objective of attracting customers' funds with prime examples like "Savings Solutions" and "Growing Rate". In both campaigns the factors referred to earlier were strengthened and underscored, ensuring an improvement of the perception of the solidity of the brand and good performance in terms of total recall throughout the year. The aim of being at the Millennium customers' top-of-mind was amply achieved. Customer loyalty campaigns were also very successful, taking place through the Frequent Customer Account, offering a significant number of advantages for those customers selecting Millennium bcp as their main bank. Several run campaigns were run directed at the younger segment, both through an appeal to open a first bank account, and through promoting the American Express Blue – Rock in Rio, with an offer of tickets. As part of the strategy of serving customers better, offering truly relevant services, the Bank also launched the Médis health insurance campaign with cover of health costs stemming from childbirth, under the theme "I only Trust Médis", which generated high recall and pleasure levels.

Millennium Encounters

With a view to drawing the Bank closer to its main customers to the "Millennium Encounters" initiative continued in 2009, with the presence of the EBD, at 14 district capitals across Portugal. These encounters took the form of a conference followed by dinner with customers and employees and visits by the directors to branches. During 2009, "Millennium Encounters" were held in Setúbal, Braga, Santarém, Bragança, Lisbon, the Azores, Aveiro, Évora and Madeira, which realised the goals of the overall strategy of improving the perception of the Bank's image, and of listening to the problems and needs of nearly 4,500 of the Bank's more relevant and representative customers, and involving about 2.100 employees.

Support for the Arts

In keeping with is cultural sponsorship strategy involving, for example, support for the National Museum of Art, the Soares dos Reis Museum, the São Carlos National Theatre, or the Micaelense Theatres, Millennium bcp took an important step in its strategy of approach to the community with the launch of the "Shared Art" initiative, a travelling exhibition of the more important paintings of the Bank's collection covering a period from 1884 to 1992 and including leading names of Portuguese art. This exhibition has already visited four cities (Funchal, Évora, Aveiro and Bragança) and has been visited by about 11,000 people.

Saturday opening

Following a successful pilot project, the Bank decided, for the convenience of its customers and to increase the possibilities of calling at a branch, to open 28 branches on Saturdays (from 09.30 to 13.30 and from 14.00 to 18.00), covering both comercial zones in the centres of the main cities and also the country's biggest shopping malls.

Millennium Portugal Cup

Within the scope of support for culture and sports, the Bank has continued its sponsorship for one of the Portugal's biggest football competitions, connecting brand name to an event that involves football clubs of all leagues, the most popular Portuguese football championship. This initiative also involved the offer of tickets to people living in cities whose clubs take part in the Millennium Portugal Cup, allowing entertainment and leisure to be shared with those communities.

Main Awards in 2009

Portugal	
• “Best Banking Group” in Portugal, within the scope of the World Finance Banking Awards 2009	World Finance
• "Best Commercial Bank in Real Estate" in Portugal	Euromoney
• “Best Foreign Exchange Bank” in Portugal	Global Finance
• “Best Consumer Internet Bank”, within the scope of the World's Best Internet Banks in Europe 2008	Global Finance
• “Best Companies for Leaders Portugal” with Millennium bcp considered the best company in the banking sesctor	Hay Group
• “Leading Commended” in the “Agent Banks in Developed Markets” category	Global Custodian
• Bank preferred by foreign citizens resident in Portugal and by foreign companies operating in Portugal	The Portugal News
• 4th of 200 companies appraised in the ranking of “Sustainable Development 2009”	*Diário Económico* and Heidrick & Struggles
• “Management Report”, for the 2008 Annual Report & Accounts, and “Video and Webcast”, within the scope of the “Excellence in Communciation 09” initiative	APCE and Superbrands
• “Best Report & Accounts of the Financial Sector” in 2008, within the scope of the Investor Relations and Governance (IRG) Awards 2009	Deloitte, Semanário Económico e Diário Económico
• 35th of the 55 biggest European leasing companies in 2008, and the first Portuguese company in the ranking	Leaseurope
Associated companies	
• Médis as the most-trusted brand in Portugal in the health insurance category	Nielsen
• “Best Life Insurer” in 2008 to Ocidental Vida	Exame

Poland	
• "Pearl of the Polish Economy" in the 6th edition of the ranking of "Polish Entrepreneurs"	*Polish Market Economic Magazine* and Economics Institute of the Academy of Sciences
• "2009 Europe's Best Investor Relations"	Institutional Investor
• Artur Kulesza elected Europe's 3rd best Investor Relations, in the Financial Institutions category	Institutional Investor
• "Best Consumer Internet Bank", for the 5th time, for individual customers	Global Finance
• 2nd in the ranking of the best macroeconomic analysts, in the second quarter of 2009	*Parkiet* daily paper
Greece	
• "Best bank to work for" and 3rd in the ranking of "Best company to work for having over 250 employees"	Institute Hellas
• "Ermis Award" at the "2009 Greek Advertising Festival", for the Bank's campaign dedicated to the "Saving for All – Dwarf" product	Advertising and Communication Association of Greece
• "2008 EUR Straight – Through Processing Excellence Award" for the second consecutive year	Deutsche Bank
• "Gold Award" attributed to the telephone banking services, in the "Call Centres up to 50 Employees" category	Teleperformance International
Romania	
• Distinction for the Internet Banking service	E-Finance
Mozambique	
• "Best Bank in Mozambique"	The Banker
• "Best Bank in Mozambique" within the scope of the African Banking Achievement Awards 2009	emeafinance
• "Ernst & Young Entrepreneur of the Year" in the "Multinational Company Social Responsibility" category	Ernst & Young
• 74th of Africa's 100 biggest banks, the only Mozambican bank included in this ranking	African Business
• Best Brand in Banking & Insurance	GfK
Angola	
• "Most Innovative Bank", within the scope of the African Banking Achievement Awards 2009	emeafinance

The travelling exhibition Millennium bcp's Shared Art was visited by 11 000 people.

The Millennium bcp Foundation is major patron of the São Carlos National Theatre symphony season.

The Bank leads investment in Research and Development.

Millennium bcp aims to meet the needs of all customers and is already the favourite of foreigners residing in Portugal.

The commitment to excellence is one of the Millennium bcp brand's values that customers recognize more often.

The Millennium global brand operates in all markets with the same principles and the same rigor.

Millennium bcp was included in the group of entities that constitute the benchmark of best practices in financial world.

With just four years since its incorporation Banco Millennium Angola has been recognized as the most innovative bank in the angolan market.

In 2009, Jorge Gabriel continued as the main figure starring in Millennium bcp's savings products campaigns.

In the campaign "Growing rate" Millennium bcp gathered three celebrities: Jorge Gabriel, Bárbara Guimarães and Ricardo Pereira.

The development of products for the younger generation continues to be part of the Bank's growth strategy.

The American Express' Blue card was one of the products chosen to associate Millennium bcp with Rock in Rio Lisbon 2010.

According to a study by "Reader's Digest" consumers elected Médis as a "Trusted Brand".

Millennium bcp has added an extra banking day to each working week, opening 28 branches on Saturdays.

Millennium bcp continues to support the biggest portuguese football competition, the "Millennium Portugal Cup".

Creating opportunities for dialogue with customers and with all local entities is one of the targets of "Millennium Encounters".

Employees

The number of Millennium Group employees fell 3.5% in 2009 compared to the previous year (down 793), to stand at a total of 21,796.

The biggest decrease was seen in Businesses Abroad, with a 4.2% decline to 11,498 employees (508 fewer than in 2008), though continuing to account for 52.8% of total Group employees.

Employees (end of the year)

	2009	2008 [1]	2007 [1]	Var. % 09/08
Retail	6,616	6,832	6,829	-3.2%
Companies	248	292	294	-15.1%
Corporate	283	300	304	-5.7%
Investment Banking	165	192	192	-14.1%
Private Banking and Asset Management	315	320	340	-1.6%
Banking Services	1,923	1,859	1,942	3.4%
Corporate Areas	603	603	664	0.0%
Associated and other	145	185	177	-21.6%
Total in Portugal	**10,298**	**10,583**	**10,742**	**-2.7%**
Bank Millennium - Poland [2]	6,245	7,049	6,067	-11.4%
Millennium bank - Greece	1,527	1,554	1,411	-1.7%
Banque Privée BCP - Switzerland	65	66	64	-1.5%
Millennium bank - Romania	700	691	509	1.3%
Millennium bank - Turkey	303	320	300	-5.3%
Millenium bim - Mozambique	1,936	1,762	1,595	9.9%
Banco Millennium Angola - Angola	499	311	185	60.5%
Millennium bcp Bank & Trust - Cayman islands	15	18	15	-16.7%
Millennium bcpbank - USA	208	235	234	-11.5%
Total of International Operations	**11,498**	**12,006**	**10,380**	**-4.2%**
Total	**21,796**	**22,589**	**21,122**	**-3.5%**

[1] The allocation of employees in 2007 and 2008, in Portugal, was reformulated in order to refflect the restructuration of Business Areas, as well as the changes that took place in the framework of the organization streamlining in 2009.

[2] Number of employees corresponds to full time employees.

Employee numbers continued to fall in Portugal, down 2.7%, reflecting the efforts directed at rationalisation and improving efficiency, taking into account the unchanged branch network. The number of employees in Portugal stood at 10,298 in 2009 (285 fewer than in 2008), or 47.2% of the Group total. The reduction was greatest in the Companies network (down 15.1%) and in Investment Banking (down 14.1%), though in 2009 there was a reduction in every business area. The number of employees of the Banking Services areas rose, warranted by the centralisation of several activities previously allocated to the business areas.

In absolute terms, the biggest reduction occurred in Poland, where employee numbers fell by 804 to 6,245 (down 11.4% over 2008) in the wake of the Bank's implementation of a new strategy for 2009-10, directed particularly at increased efficiency and strict cost control.

In Greece, Turkey and the United States of America programmes were drawn up to obtain greater efficiency through strict monitoring of costs and process improvements, reflected in a reduction of employee numbers by 1.7%, 5.3% and 11.5% respectively.

In Romania, there was a slight increase of employee numbers (up 9) to stand at a total of 700, while in Switzerland and in Cayman islands employee numbers were down 1.5% and 16.7% respectively.

The operation in Mozambique continues its branch network expansion plan and remains the Group's third biggest in terms of employee numbers, at 1,936, up 9.9% in 2009. Angola had a 60.5% increase in employee numbers, the biggest increase in absolute terms (up 188 compared to 2008), to stand at a total of 499 employees. These two operations were the only ones in which the Bank made a significant external recruiting effort with a view to meeting employee requirements as a result of the expansion plans.

During 2009 employee management activities within the Group were focused on:

- conclusion of the implementation of the new individual performance appraisal system (SAID) covering the skills, personal characteristics, objectives and personal development plan for each employee;
- mobility between central services and commercial areas as a source of in-house recruiting, within a context of restricting additional recruiting in Portugal;
- recruiting employees for the international operations, Angola and Mozambique in particular;
- recruiting young talents in the best universities and their integration in development programs and, in parallel, 200 employees passed to be full time employees in Portugal;
- stimulating the mobility process as a factor of professional development (Commercial Skills Development Programme (PDCC), New Courses and Management Employee Plan [PDQ]);
- strengthening programmes designed to accelerate the skills development of outstanding-performance employees, creating the conditions for them to take over duties of greater responsibility and complexity (People Grow, Young Specialist, Grow Fast, Grow in Retail, Master in Retail, Leadership in Retail, A Day with the Customer and We Value Experience);
- recognising and rewarding those outstanding employees in commercial relations with customers (Network Incentives System – SIR and HCM Peoplesoft);
- strengthening the professional enhancement projects suited to the specific needs of the various duties and of the attributions of the various areas ("Changing IT for the Better", "Academia IT", "Being DO", "People Management" and "More and Better Sales in Retail").

Millennium bcp continues to focus on various personnel management instruments leading to awareness of the individual contribution of each employee and of the way in which they can help to achieve the Bank's strategic goals, making full use of their potential. In line with this principle, responsibility for personnel management is exercised jointly, centering on dialogue with the employees, a dialogue intended to be ongoing and propitious to the assumption of individual responsibilities within the development of the respective careers and to active contribution of suggestions tending to enhance their skills and their professional careers. By creating the conditions for better interaction between the employee and superiors, Millennium bcp contributes not only to a strengthening of each employee's perception of their actual contribution to the whole, but also to the initiatives to be developed to advance to a higher level of performance. The employees and their superiors are supported by the Personnel Management Support Division, by the Executive Board of Directors and by its chairman.

Personnel Management is described in greater depth in the Sustainability Report (available on the institutional site).

Changes in Corporate Governance

On March 30, 2009, Banco Comercial Português, S.A. held its Annual General meeting, resulting in the following resolutions:

- Election of the members of the Supervisory Board (SB) for the 2009-10 term of office:

Chairman:	Luís de Melo Champalimaud
Deputy-chairmen:	Manuel Domingos Vicente
	Pedro Maria Calaínho Teixeira Duarte
Members:	Josep Oliu Creus
	António Luís Guerra Nunes Mexia
	Patrick Huen Wing Ming, in representation of Sociedade de Turismo e Diversões de Macau, S.A., exercising office in his own name
	António Víctor Martins Monteiro
	João Manuel de Matos Loureiro
	José Guilherme Xavier de Basto
	José Vieira dos Reis
	Manuel Alfredo da Cunha José de Mello
	Thomaz de Mello Paes de Vasconcelos
	Vasco Esteves Fraga

- Approval of the change of the articles of association, namely suppression of clauses that dealt with the existence, composition, responsibilities and working of the Senior Board, with a view to perfecting and strengthening the existing Governance Model.
- Approval of proposals on the performance of duties by Vítor Manuel da Cunha Ribeirinho and Ana Cristina Soares Valente Dourado, both partners of KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., as Official Auditor and Alternate Official Auditor for the 2008-10 term of office, and their replacement by the said firm KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., represented by Vítor Manuel da Cunha Ribeirinho (ROC number 1081) for the remainder of the term of office.

At its first meeting of the current term of office on April 16, 2009, the SB adopted the following resolutions:

- composition of the SB's specialised committees;
- creation of the Sustainability and Corporate Governance Committee, with an increase scope when compared with previous Corporate Governance Committee;
- taking of office by the Remuneration & Welfare Board, and change of the name of the Selection & Remuneration Committee to Selection Committee (CS);
- change of the name of the Audit & Risk Committee to the Financial Matters Committee (CMF).

Within the scope of the process of perfecting and optimising the organisational structure with a view to improving the Bank's co-ordination and performance, changes were made to the composition of the co-ordination committees, effective from July 1, 2009. In parallel, the areas of responsibility of each director, the direct reporting and the alternate directors were altered in each of the areas of responsibility. The following co-ordination committees were retained: Private Banking & Asset Management, European Banking and Banking Services. The changes involved the creation of two new co-ordination committees: Retail & Companies and Corporate & Investment Banking, replacing the existing co-ordination committees: Retail and Corporate & Companies. Additionally, responsibility for Investment Banking, not previously included under the co-ordination committees, came to be included under the Corporate & Investment Banking co-ordination committee. Overall co-ordination of operations in Africa and United States of America continues to be undertaken directly by the members of the EBD responsible for these operations.

On November 11, 2009 the SB decided to accept the suspension of Armando Vara as director and deputy-chairman of the EBD until such time as the facts were determined as to the proceedings that were made public. The SB further decided to replace this director, under the terms of the law and of the articles of association, appointing Miguel Maya Dias Pinheiro as member of the EBD.

Executive Board of Directors

Areas of responsibility and Alternate Members

Carlos Santos Ferreira (CSF)

1. Office of the Chairman of the EBD
2. Company Secretary
3. Fundação Millennium bcp
4. Audit Department (B)
5. Staff Management Support Dept. (B)
6. Shareholding & Worth Measurement Dept.(A)
7. Optimization & Performance Project
8. Millennium Angola
9. Alfa Project

Paulo Macedo (PM)

1. Research Office
2. Budget Planning & Control Dept.
3. Accounting & Consolidation Dept.
4. Management Information Dept.
5. ALM Dept. (Assets & Liabilities Mgmt)
6. Investors Relations Dept.
7. Quality Dept.
8. Risk Office
9. Compliance Office
10. General Secretariat
11. Prevention and Safety Office
12. Communications Dept.

Vitor Fernandes (VF)

1. IT Department
2. Operations Dept.
3. Credit Dept.
4. Administrative & Logistics Dept.
5. Rating Dept.
6. Legal Department
7. Tax Advising Dept.
8. Litigations Dept.
9. Marketing Dept.
10. Companies Marketing Dept.

(B) Audit Dept.
(B) Staff Management Support Dept.

José João Guilherme (JJG)

1. Retail Banking (South)
2. Retail Banking (Centre South)
3. Companies Banking (South)
4. International Dept.
5. Treasury & Markets Dept.
6. Direct Banking Dept.
7. Millennium bim

(A) Shareholdings & Worth Measurement Dept.

Nelson Machado (NM)

1. Retail Banking (North)
2. Retail Banking (Centre North)
3. Companies Banking (North)
4. Madeira Regional Department
5. Azores Regional Department
6. Retail Banking Support Division
7. Micro-credit Department
8. Asset Management
9. Insurance
10. Banque BCP (France)
11. Real Estate Promotion Dept.

Luís Pereira Coutinho (LPC)

1. Private Banking
2. Banque Privée BCP (Switzerland)
3. Bank Millennium (Poland)
4. Millennium Bank (Greece)
5. Millennium Bank (Turkey)
6. Banca Millennium (Romania)
7. Millennium bcpbank (USA)
8. Millennium bcp Bank & Trust (Cayman Islands)

Miguel Maya (MM)

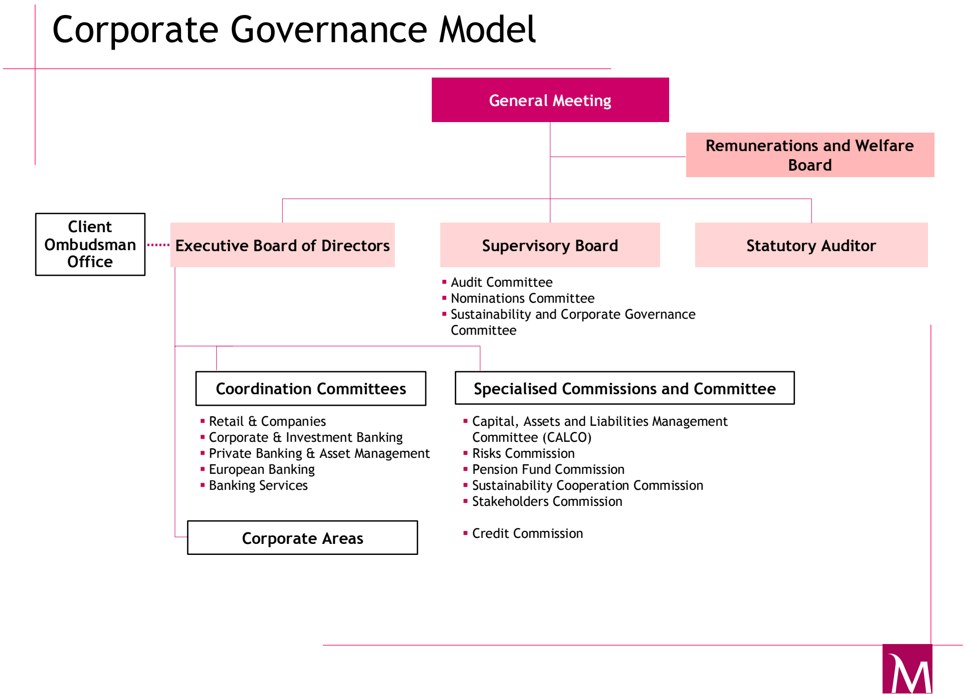
1. Corporate Dept. I
2. Corporate Dept. II
3. Investment Banking Dept.
4. Specialized Credit Dept.
5. Credit Recovery Dept.
6. ActivoBank7/ Blue Project

(A) 1st in charge: José João Guilherme
(B) 1st in charge : Vitor Fernandes

On November 13, 2009, the Bank informed that, in addition to the deputy-chairman of the EBD, Paulo Moita Macedo, who remains in office, director Vítor Manuel Lopes Fernandes had been temporarily appointed, during the suspension period of Armando Vara, to occupy the post of deputy-chairman, charged in particular, and in the stated order, with substituting the chairman in his absences or in the event of impediments. According to information made public on the aforementioned proceedings, the matters under investigation are not related to Banco Comercial Português, S.A., and these proceedings are not therefore expected to have any impact on the Bank.

Due to the changes referred above in terms of the composition of the EBD, the composition of the Committees and Commissions appointed by Banco Comercial Português, S.A. were also altered.

Detailed information on the composition of the Committees and Commissions appointed by the Banco Comercial Português, S.A., EBD and also on their duties can be found in the Report on Corporate Governance of the Company, which, in conjunction with the Report of the General and Supervisory Board, the Notes to the Accounts and the Market Discipline Report, constitute Volume II of this Report.



Detailed information on the governance can be found in the Corporate Governance Report that, together wtih the Report of the Supervisory Board, the Accounts and Notes to the Accounts and the Market Discipline Report constitutes Volume II of the present Report.

Corporate Boards

Board of the General Meeting

Chairman: António Manuel da Rocha e Menezes Cordeiro

Deputy-chairman: Manuel António de Castro Portugal Carneiro da Frada

Secretary: Corporate Secretary (Ana Isabel dos Santos de Pina Cabral)

Executive Board of Directors

Chairman: Carlos Jorge Ramalho dos Santos Ferreira

Deputy-chairmen: Armando António Martins Vara – suspended (1)

Paulo José de Ribeiro Moita de Macedo (2)

Members: Vítor Manuel Lopes Fernandes

José João Guilherme

Nelson Ricardo Bessa Machado

Luís Maria França de Castro Pereira Coutinho

Miguel Maya Dias Pinheiro (3)

Supervisory Board

Chairman: Luís de Melo Champalimaud

Deputy-chairmen: Manuel Domingos Vicente

Pedro Maria Calaínho Teixeira Duarte

Members: Josep Oliu Creus

António Luís Guerra Nunes Mexia

Patrick Huen Wing Ming, representing Sociedade de Turismo e Diversões de Macau, S.A., exercising office in his own name

António Victor Martins Monteiro

João Manuel de Matos Loureiro

José Guilherme Xavier de Basto

José Vieira dos Reis

Manuel Alfredo da Cunha José de Mello

Thomaz de Mello Paes de Vasconcelos

Vasco Esteves Fraga

Statutory Auditor

KPMG & Associados, SROC, S.A. represented by:

Full:	Vítor Manuel da Cunha Ribeirinho (ROC number 1081)
Alternate:	Ana Cristina Soares Valente Dourado (ROC number 1011)

Remuneration & Welfare Board

Chairman:	José Manuel Rodrigues Berardo
Members:	Luís de Melo Champalimaud
	Manuel Pinto Barbosa

(1) On 3 November 2009 and pursuant to the disclosure of news on issues that led to his indictment, the Director and Vice-Chairman Mr. Armando António Martins Vara decided to request the suspension of his term-of-office until the facts were duly investigated and decided. The suspension resolution was adopted by the Supervisory Board at its meeting held on 11 November 2009.

(2) Following the suspension of Mr. Armando António Martins Vara, the Director Vítor Manuel Lopes Fernandes was appointed as Vice-Chairman for the duration of the suspension.

(3) The Supervisory Board, at its meeting held on 11 November 2009, appointed Mr. Miguel Maya Dias Pinheiro to replace Mr. Armando António Martins Vara as member of the Executive Board of Directors for the duration of the suspension. This appointment will be submitted for ratification to the Annual General Meeting, in accordance with the law.

BCP Share

The year of 2009 was a good one for the equity markets with three distinct phases regarding stock market performance. The first was between the beginning of the year and March when market losses seen since September 2008 worsened. During the second, corresponding to the second and third quarters, the world equity markets recovered sharply. The better economic prospects and the adoption of measures to stabilise the financial system, including the reduction of the central banks' refinancing rates, the abundant injection of liquidity into the interbank markets and the revision of the regulatory framework and of the supervisory mechanisms, made a decisive contribution to a gradual re-establishment of confidence and a climate of less risk aversion. Lastly, the third phase, corresponding to the last quarter of the year, reflected doubts as to the value increase of the equity markets, with investors questioning the sustainability in the light of the economic growth prospects and of company results.

Over the year as a whole, besides sharp appreciation – the biggest of the past decade – of the leading indices Dow Jones 18.8%, EuroStoxx50 23.3%, IBEX35 29.8%, FTSE 22.1%, CAC40 22.3% and DAX 26.7% there was a gradual decline of volatility when compared to the peaks of 2008, particularly as from the start of the 2nd quarter of 2009.

The Portuguese stock market closed 2009 with the PSI 20 up 33.5% (down 51.3% in 2008) the biggest annual rise of the past 12 years, with a general recovery of those sectors most penalised the previous year. The PSI Financial index appreciated more moderately, up about 14.7%, compared to a drop of 62.9% in 2008.

BCP Share indicators

	Units	2009	2008
Price			
Maximum price (January 2, 2008 and October 19, 2009)	(€)	1.075	2.646
Average annual price	(€)	0.810	1.409
Minimum price (November 21, 2008 and March 5, 2009)	(€)	0.556	0.685
Last price	(€)	0.845	0.815
Shares and equity			
Number of ordinary shares	(M)	4,694.6	4,694.6
Shareholders' equity attributable to the group	(M€)	6,876.5	5,960.5
Shareholders' equity attributable to ordinary shares (1)	(M€)	4,942.9	5,005.9
Value per share			
Adjusted net income (EPS) (2) (3)	(€)	0.034	0.034
Gross dividend (DPS)	(€)	0.019	0.017
Book value (2)	(€)	1.058	1.070
Market indicators			
Price earnings ratio (3)	(P/E)	24.9	19.5
Price to book value	(PBV)	0.8	0.8
Earnings yield (4)	(%)	4.02	4.17
Market capitalisation (last)	(M€)	3,966.9	3,826.1
Liquidity			
Annual turnover	(M€)	3,514.7	6,584.7
Average daily turnover	(M€)	13.7	25.7
Annual volume	(M)	4,281.4	4,327.7
Average daily volume	(M)	16.7	16.9
Capital rotation (5)	(%)	92	108
Dividends			
Net income	(M€)	225.2	201.8
Adjusted net income (3)	(M€)	156.6	152.3
Pay out ratio of ordinary shares (6)	%	39.6	39.7
Gross dividend of ordinary shares	(M€)	89.2	79.8
Dividend yield (7)	%	2.25	2.09

(1) Shareholders' equity - preferred shares - "Valores Mobiliários Perpétuos Subordinados" issued in 2009 + treasury stocks related with preferred shares.

(2) Considering the average number of shares deducted by the number of treasury shares.

(3) Adjusted net income considers the net income deducted by the dividends of preferred shares and the "Valores Mobiliários Perpétuos Subordinados" issued in 2009.

(4) EPS divided by the last price.

(5) Annual turnover divided by annual average market capitalization.

(6) Dividends divided by the net income attributed to shareholders.

(7) DPS divided by the last price.

Absolute and relative performance

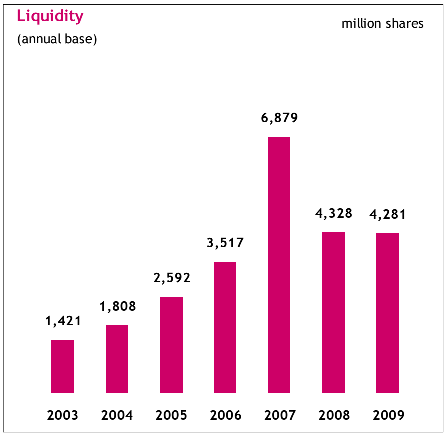
During the period from December 31, 2008, to December 31, 2009, BCP shares recorded a minimum price of 0.556 euros, a maximum of 1.075 euros and an average quote of 0.810 euros, to stand at the year-end at 0.845 euros, an annual appreciation of 3.7%.

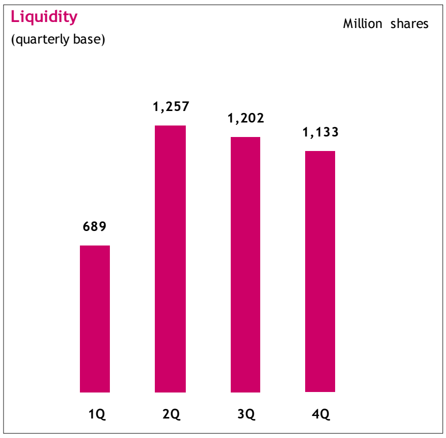
During 2009 the BCP shares appreciated, though less so than the main market indices:

Index	Total change in 2009
BCP shares	3.68%
PSI 20	33.47%
PSI Financials	14.75%
DJ EuroStoxx Banks	48.00%
DJ EuroStoxx	23.32%

Liquidity

BCP shares continue to be among those most traded on the Portuguese market and the most liquid of the financial sector. During the year of 2009, 4,281.4 million BCP shares were traded, providing an average daily volume of 16.7 million shares, in line with 2008. The annual turnover of BCP shares is about 92% of its average market capitalisation for the year, compared to 108% in 2008. In turnover terms, the BCP shares accounted for 11.55% (euros 3.5 billion) of the total turnover of the PSI 20 shares. During 2009 the number of shares traded was lower in the 1st quarter, following which there was a significant recovery during the following quarters .





Indices in which BCP Shares are listed

BCP is listed in more than 30 national and international stock market indices, with emphasis on the following:

Index	Weight (%)	Ranking
Euronext PSI Financial Services	31.09%	2
PSI20	10.72%	4
Lisbon General	5.41%	9
DJ Eurostoxx Mid 200	1.08%	36
DJ Eurostoxx Banks	0.75%	21
DJ Stoxx Mid 200	0.56%	67
DJ Stoxx Banks	0.41%	35
Bebanks	0.40%	42
Euronext 100	0.25%	87
DJ Eurostoxx	0.13%	146
BE500	0.07%	295

Main events and impact on the share price

The following table summarises the main events of 2009, the change of the share price both the next day and 5 days later, as well as the relative evolution compared to the leading benchmark indices at the times in question.

Nº	Date	Event	Chan. +1D	Chan. vs. PSI 20 (1D)	Chan. vs. DJS Banks (1D)	Chan. +5D	Chan. vs. PSI 20 (5D)	Chan. vs. DJS Banks (5D)
1	12-01-2009	Issued of fixed rate debt guaranteed by the Portuguese Republic	0.2%	0.8%	3.2%	-7.7%	-5.1%	13.8%
2	21-01-2009	Announcement regarding Millennium Bank AS in Turkey	-0.1%	-0.8%	-0.5%	6.4%	3.5%	-12.8%
3	29-01-2009	Announcement regarding Millennium BIM in Mozambique	-1.2%	-1.8%	-1.9%	-6.2%	-5.4%	-4.1%
4	04-02-2009	Relevant short position	-3.3%	-2.2%	-1.9%	-4.6%	-5.2%	-2.5%
5	17-02-2009	Release of the 2008 consolidated results and Announcement of the dividend for 2008	0.8%	0.5%	0.2%	-17.2%	-12.9%	-9.6%
6	18-02-2009	Announcement regarding possible alternatives to increase own funds	-5.3%	-4.7%	-5.6%	-17.0%	-11.4%	-10.6%
7	25-02-2009	Announcement that Banco Millennium Angola completes partnership agreement with Sonangol and Banco Privado Atlântico	6.4%	4.3%	-1.8%	-1.5%	-0.9%	4.5%
8	03-03-2009	Annoucement of sale of Banco BPI shares	-3.1%	-4.4%	-6.5%	-1.6%	-3.8%	-3.9%
9	09-03-2009	Relevant short position	5.4%	3.4%	-7.3%	9.4%	4.1%	-18.1%
10	30-03-2009	Conclusions of General Meeting of Shareholders	0.7%	-1.5%	-4.9%	7.8%	0.9%	-11.3%
11	01-04-2009	Reduction of relevant short position	2.6%	-0.8%	-6.7%	4.6%	0.8%	-2.7%
12	02-04-2009	Relevant short position	3.2%	3.5%	3.5%	2.1%	0.0%	-2.6%
13	07-04-2009	Moody's rating action	-1.7%	-2.0%	-2.8%	1.6%	-1.3%	-12.1%
14	15-04-2009	Reduction of relevant short position	4.4%	3.3%	1.1%	7.9%	8.2%	5.1%
15	30-04-2009	Announcement of authorization to use the internal model method	3.1%	0.1%	2.4%	17.6%	8.7%	7.5%
16	06-05-2009	Reduction of relevant short position	5.8%	4.0%	6.6%	-5.5%	-2.6%	1.5%
17	11-05-2009	Release of the 1st Quarter 2009 consolidated results	-8.9%	-6.2%	-6.3%	-8.4%	-6.7%	-6.3%
18	13-05-2009	Change in Eureko B.V qualified shareholding	4.3%	2.7%	3.0%	10.8%	5.5%	0.4%
19	15-07-2009	Announcement of the placement of 300.000 "Valores Mobiliários Perpétuos Subordinados" Perpectual Subordinated Securities	2.4%	2.7%	1.6%	4.0%	3.2%	1.6%
20	28-07-2009	Announcement by the Executive Board of Directors regarding five former bank's executives	0.4%	0.1%	-0.5%	10.4%	7.8%	3.2%
21	29-07-2009	Release of the 1st Half 2009 consolidated results	3.8%	3.5%	0.8%	7.6%	5.6%	0.8%
22	30-07-2009	Standard & Poor's rating action	-1.7%	-1.0%	-2.5%	9.3%	7.4%	2.7%
23	31-07-2009	Fitch re-affirms rating	3.1%	1.2%	0.1%	9.5%	6.9%	1.8%
24	24-08-2009	Announcement of Millennium bcpbank in USA	-2.5%	-2.5%	-2.7%	-2.0%	-1.2%	-2.5%
25	16-09-2009	Moody's change in rating	0.0%	-1.5%	-1.2%	1.1%	0.2%	0.2%
26	18-09-2009	Change in Privado Holding and JP Morgan qualified shareholding	0.0%	1.0%	1.6%	5.0%	5.6%	7.5%
27	29-09-2009	Decision to reduce its participation in the Baía de Luanda Project	-1.0%	-1.3%	0.1%	-1.1%	-2.8%	1.0%
28	29-10-2009	Statement by the Chairman of the Supervisory Board about the news in the press	-1.6%	0.2%	0.6%	-2.6%	-2.2%	-0.7%
29	03-11-2009	Statement by the Chairman of the Supervisory Board about the suspension of the mandate of Mr. Armando Vara	0.8%	-0.9%	-1.7%	-0.9%	-3.8%	-7.8%
30	11-11-2009	Release of the 3rd Quarter 2009 consolidated results and deliberations of the bank's Supervisory Board	-2.3%	-1.9%	-2.4%	-1.9%	-2.1%	-2.1%
31	13-11-2009	Appointment of Deputy Chairman of the Executive Board of Directors	2.1%	1.3%	0.6%	-0.1%	0.7%	3.5%
32	03-12-2009	Relevant short position	0.1%	0.0%	-1.1%	-8.9%	-6.0%	-6.7%
33	10-12-2009	Reduction of relevant short position	1.7%	1.0%	2.7%	-2.4%	-3.1%	-1.6%
34	23-12-2009	Announcement of Millennium bim in Mozambique	-0.9%	-1.1%	n.a.	3.9%	3.0%	3.9%

The following chart illustrates the performance of BCP shares in 2009:

Dividend policy

Maintaining the principles that characterise the dividend distribution policy adopted by Millennium bcp, a decision was taken not to pay an interim dividend for 2009, bearing in mind, on the one hand, the current macroeconomic framework and, on the other, the profits generated on a consolidated basis for the first three months and also the uncertainty as to the possible impacts of the recent proposals made by the Bank for International Settlements (BIS) in respect of regulations governing capital and liquidity.

Notwithstanding this decision not to pay an interim dividend in 2009, the Bank reiterates that it will maintain the announced dividend-distribution policy, the aim being to pay-out about 40% of the net income.

The figures for dividends paid by Millennium bcp since 2000 are detailed in the following table:

Year	Paid in	Gross Dividend per Share (euros)	Net Dividend per Share (euros)		Payout Ratio [1]	Dividend Yield [2]
			Residents	Non-Residents		
2000 [3]	2001	0.15	n.a.	n.a.	62.4%	2.65%
2001	2002	0.15	0.120	0.105	61.1%	3.30%
2002	2003	0.10	0.080	0.070	49,2% [4]	4.39%
2003	2004	0.06	0.051	0.045	44.7%	3.39%
2004						
Interim dividend	2004	0.030	0.02550	0.02250		
Final dividend	2005	0.035	0.02975	0.02623		
Total dividend		0.065	0.05525	0.04875	41.3%	3.44%
2005						
Interim dividend	2005	0.033	0.02805	0.02475		
Final dividend	2006	0.037	0.03145	0.02775		
Total dividend		0.070	0.05950	0.05250	31,9% [4]	3.00%
2006						
Interim dividend	2006	0.037	0.0296	0.0296		
Final dividend	2007	0.048	0.0384	0.0384		
Total dividend		0.085	0.0680	0.0680	39,0% [4]	3.04%
2007						
Interim dividend	2007	0.037	0.0296	0.0296		
Final dividend	2008	0.000	0.0000	0.0000		
Total dividend		0.037	0.0296	0.0296	23.7%	1.27%
2008	2009	0.017	0.0136	0.0136	39.7%	2.09%
2009 [5]	2010	0.019	0.0152	0.0152	39.6%	2.25%

[1] Payout ratio is the percentuge of net profit distributed to shareholders in the form of dividend;

[2] Dividend Yield is the annual return, as a percentage, expressed by dividing the amount of the gross dividend by the share price at the end of the year to which the dividend refers;

[3] Paid in the form of script dividend through the issue of new shares and their proportional distribution to shareholders holding shares representing the Bank's equity capital;

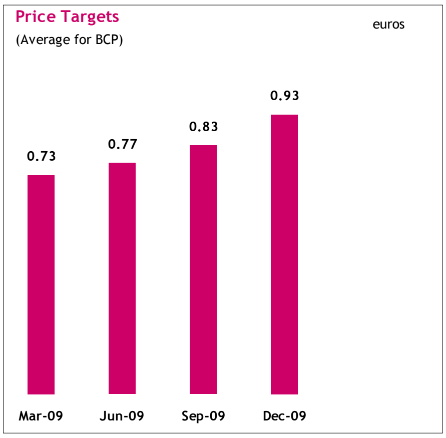
[4] On the basis of the net profit before setting aside general banking risk provisions in the sum of 200 Million euros;

[5] Proposal to be submitted to the Annual General meeting.

Communication with shareholders and analysts

In complying with its legal and regulatory reporting obligations, the Bank discloses quarterly information on its results and business activity, while press conferences and conference calls held with analysts and investors, involving members of the Executive Board of Direction.

During 2009, the Bank took part in several events and organised 5 road shows following the profit announcements in major global financial markets – London, New York and Paris – and it took part in 11 investor conferences and roadshows organised by other banks, such as HSBC (London), Citigroup (London and Lisbon), KBW (London and Madrid), Cheuvreux (Paris), Santander (Lisbon), Morgan Stanley (London), Nomura (London), Merrill Lynch (London) and Millennium bcp Investimento (London) at which it undertook institutional presentations and held one-to-one meetings with investors. During 2009, 154 meetings were held with investors.



Analysts' recommendations

BCP shares are covered by the leading domestic and foreign investment houses, which regularly issue investment recommendations and price targets on the Bank. In 2009, there was, on the one hand, an initiation of coverage by a number of analysts and, on the other, a gradual upward revision of the recommendations and price targets. The average price target of the investment houses that monitor the Bank rose from 0.73 euros at the end of the 1sd quarter to 0.93 euros at the end of 2009, as shown in the chart.

Treasury shares

In keeping with the resolution adopted by the General Meeting, the Bank may buy or sell treasury shares up to a limit of 10% of its share capital.

On 31 December 2008, the Banco Comercial Português, S.A. held 5,120,094 treasury shares and its subsidiary Banco Millennium bcp Investimento S.A., held 377,509 treasury shares. During 2009, the Bank purchased and sold 110,472,719 shares with a par value of 1 euro, detailed in the table below, representing 2.35% of the capital. The transactions were in compliance with the law and regulations, in the use of the authorization granted by the Annual General Meeting and in the scope of its activity to cover the exposures associated with the sale of investment products to clients.

BANCO COMERCIAL PORTUGUÊS S.A. (1) (2)	
Purchases	
Quantity	58,779,235
Value	39,896,575
Average unit price (€)	0.679
Sales	
Quantity	51,693,484
Value	43,597,084
Average unit price (€)	0.843
Total traded	
Quantity	110,472,719
% Capital	2.35%

As at December 31st 2009, Banco Comercial Português, S.A., directly and indirectly held 12,583,354 treasury shares, or 0.27% of the Bank's share capital.

	31-12-2008	31-12-2009	% of share capital
BANCO COMERCIAL PORTUGUÊS S.A. (2)	5,120,094	12,583,354	0.27%
BANCO MILLENNIUM BCP INVESTIMENTO S.A.	377,509	-	-
Total	**5,497,603**	**12,583,354**	**0.27%**

(1) This heading includes transactions in respect of Millennium bcp Investimento. S.A., which was fully incorporated into Banco Comercial Português, S.A., as a result of the merger undertaken on August 31, 2009.

(2) As at December 31, 2009, this heading excludes 10,366,667 shares (December 31, 2008: 10,322,555 shares) held by customers, the acquisition of which was financed by the Bank and, considering that there is evidence

of impairment in respect of these customers in the light of IAS 32/39, the shares in the Bank that they hold were, merely for accounting purposes and in the light of this standard, considered treasury shares.

Shareholder structure

According to the file received from the Central Securities Depository (CVM) the number of Banco Comercial Português shareholders stood at 175,581 as at December 31, 2009 (172,921 in 2008). The Bank's shareholder structure continues to be greatly dispersed, as no shareholder has more than 10% of the equity capital and just 9 hold qualified shareholdings (over 2% of the share capital). Also underscored is the increase of the weight of other individual shareholders, now accounting for 24.61% of the share capital (19.77% in 2008).

Shareholder	Number of shareholders	% of capital
Group employees	3,699	0.49%
Other individual shareholders	167,149	24.61%
Companies	4,274	26.02%
Institutional Investors	459	48.87%
Total	**175,581**	**100.00%**

Number of shares per shareholder	Number of shareholders	% of capital
> 5.000.000	75	70.25%
500.000 a 4.999.999	316	8.83%
50.000 a 499.999	3,293	8.10%
5.000 a 49.999	32,838	9.21%
< 5.000	139,059	3.60%
Total	**175,581**	**100.00%**

During 2009 there was a slight increase of the number of domestic and foreign shareholders and an increase of the percentage of the share capital held by Portuguese nationals.

Number of Shares per Shareholder	National shareholders		Foreign shareholders	
	Number	% of capital	Number	% of capital
> 5.000.000	37	30.29%	38	39.96%
500.000 a 4.999.999	240	6.07%	76	2.76%
50.000 a 499.999	3,122	7.61%	171	0.49%
5.000 a 49.999	32,010	8.97%	828	0.25%
< 5.000	134,690	3.50%	4,369	0.10%
Total	**170,099**	**56.44%**	**5,482**	**43.56%**

Qualified Shareholders

December 31, 2009

Shareholders	Number of shares	% of capital	% of voting rights
Sonangol	469,000,000	9.99%	10.00% [1]
Teixeira Duarte Group			
Teixeira Duarte - Sociedade Gestora de Participações Sociais, S.A.			
Teixeira Duarte - Gestão de Participações e Investimentos Imobiliarios, S.A.	304,989,864	6.50%	6.51%
Arenopor - Investimentos SGPS, S.A.	23,000,000	0.49%	0.49%
Others (Board Members)	2,231,565	0.05%	0.05%
Total	330,221,429	7.03%	7.05%
Fundação José Berardo [2]			
Fundação José Berardo	198,324,440	4.22%	4.24%
Fundação José Berardo (Equity Swap with Banco Espírito Santo)	29,710,526	0.63%	0.63%
Total	228,034,966	4.86%	4.87%
Metalgest - Sociedade de Gestão, SGPS, S.A. [2]			
Metalgest - Sociedade de Gestão, SGPS, S.A.	63,328,399	1.35%	1.35%
Kendon Properties	721,480	0.02%	0.02%
Moagens Associadas S.A.	13,245	0.00%	0.00%
Cotrancer - Comércio e transformação de cereais, S.A.	13,245	0.00%	0.00%
Bacalhôa, Vinhos de Portugal S.A.	10,596	0.00%	0.00%
Board Members of Metalgest, SGPS, S.A.	19,547	0.00%	0.00%
Total	64,106,512	1.37%	1.37%
Banco Sabadell			
Bansabadell Holding, SL	208,177,676	4.43%	4.45%
Total	208,177,676	4.43%	4.45%
EDP Group			
EDP -Imobiliária e Participações, S.A	123,509,341	2.63%	2.64%
Fundo de Pensões EDP	52,285,541	1.11%	1.12%
Board and fiscal members of EDP, S.A.	346,487	0.01%	0.01%
Total	176,141,369	3.75%	3.76%
Caixa Geral de Depósitos Group			
Caixa Geral de Depósitos, S.A. (carteira de investimento)	100,281,441	2.14%	2.14%
Companhia de Seguros Fidelidade-Mundial, S.A.	22,290,677	0.47%	0.48%
Caixa Geral de Depósitos, S.A. (carteira de negociação)	161,556	0.00%	0.00%
Companhia de Seguros Império-Bonança, S.A.	105,716	0.00%	0.00%
Fundo de Pensões CGD	5,087,835	0.11%	0.11%
Total	127,927,225	2.72%	2.73%
Sogema SGPS, S.A	124,375,417	2.65%	2.66%
Eureko Group			
Eureko BV	118,252,417	2.52%	2.53%
Total	118,252,417	2.52%	2.53%
Stanley Ho Group			
Sociedade de Diversões e Turismo de Macau, S.A .	76,112,854	1.62%	1.63%
Stanley Hung Sun Ho	30,142,080	0.64%	0.64%
Total	106,254,934	2.26%	2.27%
SFGP - Investimentos e Participações , SGPS, S.A.	43,574,742	0.93%	0.93%
IPG - Investimentos, Participações e Gestão SGPS, S.A.	58,488,113	1.25%	1.25%
Total	102,062,855	2.17%	2.18%
Total Qualified Shareholdings	**2,054,554,800**	**43.76%**	**43.88%**

Source: Information received from the Shareholders

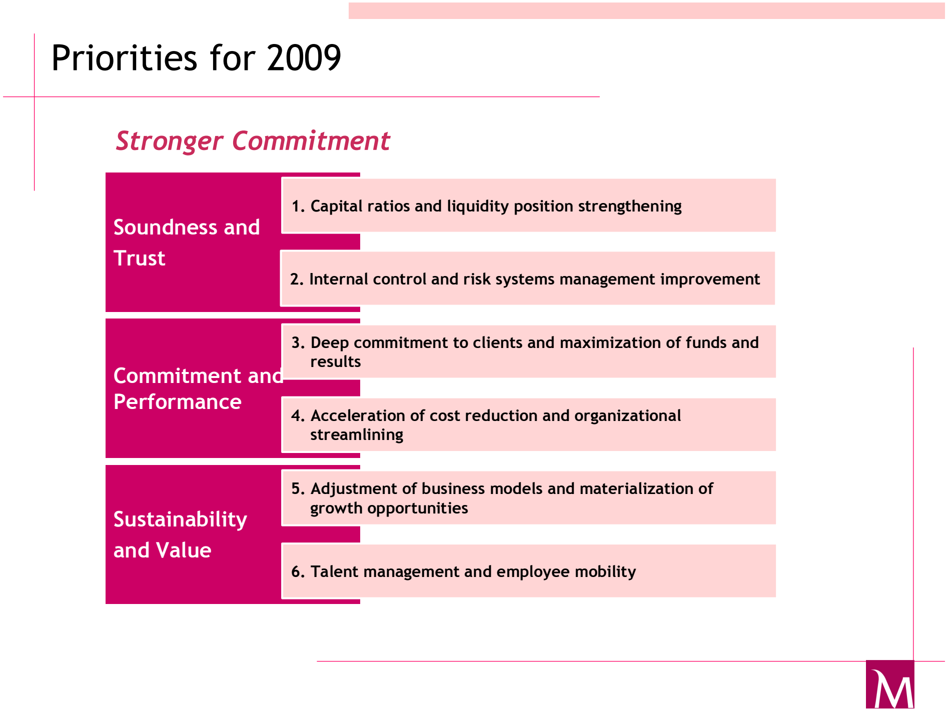
[1] According number 10 a) of Article 16 of Banco Comercial Português Articles of Association, votes exceeding 10% of the share capital are not considered

[2] The shares and voting rights held by Fundação José Berardo and Metalgest are subject to reciprocal imputation

Strategy

Strategic Priorities for 2009: Main measures implemented

In a particularly adverse context and under the pressure of many exogenous variables, Millennium bcp considered that, following a period of institutional stabilisation, the launch of new strategic priorities was justified for 2009. The Millennium bcp management priorities for 2009 were based on three fundamental pillars: Soundness and Trust; Commitment and Performance; and Sustainability and Value. Six vectors of priority action were established, directed at "Strengthening Commitment Towards the Future".



These areas of operation involve a number of initiatives that can be summed up as:

1. Capital ratios and liquidity position strengthening

Risk management is a fundamental priority for the Bank, one that has been strengthened through the following measures:

- more comprehensive process of identification, appraisal and management of risks through an overhaul of the risk-assessment models for the Companies segment, implementation of specific risk-assessment models for property developers and for start-ups and creation of the Rating Division, promoting total segregation between the rating attribution and the credit decision, and strengthening of the unproductive loan identification criteria;
- increase of the sustainability and mitigation of the risks of the Pension Fund, at liability and asset levels, through evolution to integrated management of the risk factors in respect of assets and liabilities and through use, where necessary, of hedging instruments;

- improvement of the methods of preventive signs of impairment identification through greater rigour in overdraft payments, a focus on compliance with plans of action (within the framework of the Early Warning Signs model – EWS) and with measures to prevent statute of limitations expiry for procedural reasons;
- implementation of new loan recovery models for Retail and for large customers and/or major risks, through consolidation of the credit recovery model for Retail – launched in October 2008 – and a strengthening of the major risk recovery teams, with increase of their structure planned for 2010;
- greater automation of customer risk assessment and of credit decisions through broadening of the coverage of the TRIAD model, which now includes companies and entrepreneurs trading under their own name with annual invoicing up to euros 2.5 million;
- increased reporting of internal and market risks through the perfecting of internal information on risks included in the Risk Report and production of and submission to the Bank of Portugal of the reports in respect to Basel II, Pillars 2 and 3 (Economic Capital and Market Discipline), and also of the report on the internal control system.

2. Internal control and risk systems management improvement

Taking into account the increase of the liquidity risk over the past two years and the necessary prudence in capital management, in adittion to the Bank of Portugal's recommendations for the Tier I capital ratio, the Bank decided to strengthen its measures directed at integrated, prudent management of these factors, with emphasis on:

- integrated planning and control of capital and liquidity, and implementation of management based on the return/risk ratio;
- development of a treasury-management strategy in articulation with the business areas;
- liquidity management focused on taking advantage of opportunities to access alternative sources of fund-taking, optimisation of the cost of funding on the wholesale funding markets and increase of attracting and retaining customers' balance-sheet funds;
- transition to the IRB methodologies (Basel II), the Bank of Portugal having granted authorisation to adopt the standard method for operational risk and the internal models method for general market risks in calculating capital requirements;
- efforts to quickly meet all the requirements established by the Bank of Portugal within the scope of the adoption of the advanced (IRB) methodologies to calculate capital requirements for credit risk, under Basel II, given that the Bank of Portugal's authorisation process is not yet finalised;
- development of the process of economic capital assessment and allocation (Pillar 2 – ICAAP);
- optimisation of risk-weighted assets (RWAs) through divestment of non-core assets and increase of adequate guarantees;

3. Deep commitment to clients and maximization of funds and results

To ensure more profound commitment to customers, the following measures were implemented:

- programmes of approach to the customer base;
- plan to attract balance-sheet funds in the various segments, Retail in particular, in all countries;
- stricter management of leakage/ commercial exemptions, including commissions, in all networks;
- consistent adjustment to the transfer rates with the price lists to reflect the real cost of the credit risk and liquidity (risk-based pricing);
- plan to attract customers in all the countries.

4. Acceleration of cost reduction and organizational streamlining

The Bank plans to continue and to increase efforts to reduce operating costs, especially though a transverse plan to cut staff costs, in an ongoing effort to reduce administrative costs in Portugal and to reduce significantly the costs of the various operations abroad, adapting the structure to production volumes within the new context of the market.

In organisational simplification and process optimisation, the Bank launched new delayering measures and merged support areas in Portugal, while simplifying the operating model in its European subsidiaries, through centralisation of support functions and integration of back offices.

5. Adjustment of business models and materialization of growth opportunities

In Portugal adjustments were made to the Private Banking model and its strategy in light of new business opportunities and under way is the revision of the business and organisational model of Corporate and Investment Banking.

In international operations, we would point out the implementation of the expansion plan in Angola, involving a partnership with Sonangol/Banco Privado Atlântico (BPA), several measures to optimise the margin and to attract customers in the African operations, and the strategic review of growth in Europe, with a particular focus on individuals and SMEs, leveraged by the brand and the branch network as distribution platforms.

6. Talent management and employee mobility

The increase of the commitment to employees called for the development of performance-oriented measures, responsibilities and professional enhancement, with emphasis on:

- reinforcement of talent management programmes;
- the incentive model in the commercial areas;
- implementation of the new system of evaluation, directed at greater employee responsibility;
- continuation of the professional enhancement projects, such as the Master in Retail and Financial Risk Manager programmes;
- increased involvement and communication at every level of the organisation.

During 2009 several measures of strategic scope were implemented with a view to materialising the management priorities established for 2009, with emphasis on:

2009 priorities: key initiatives

Soundness and Trust	**Focus on risk management:** ▪ ***Capital ratios strengthened*** *Tier I* capital ratio of 9.2% and *Core Tier I* of 7,1%, calculated based on IRB methods (pro forma) Euro 1 billion debt issue in subordinated perpetual securities in 2009 ▪ ***Liquidity position strengthened*** Long term debt issues reaching 5.6 billion euros Commercial gap control in main operations Increase of eligible assets as collateral to be used for refinancing with the Central Baks for 10.6 billion euros ▪ ***Internal control and risk management systems improvement***
Commitment and Performance	**Faster cost reduction and organization streamlining:** ▪ 7.8% operating costs reduction: -5.1% in Portugal and –12.2% in international operations **Commitment to Customers, funds and profits maximization** ▪ Ongoing repricing process with an expected impact in the next few years ▪ Beginning of the leakage management process in 2Q09 ▪ Clients satisfaction at record level since the launching the single branch; Group's clients over 5 million for the first time
Sustainability and Value	**Business models adjustment and growth opportunities completion:** ▪ Business model adjustment for Poland, Romania and Private Banking ▪ Angola partnership conclusion and expansion in Mozambique ▪ Capital allocation discipline **Talent management and employees mobility** ▪ New assessment and performance system and new incentive system in Portugal ▪ Motivation and career development programs

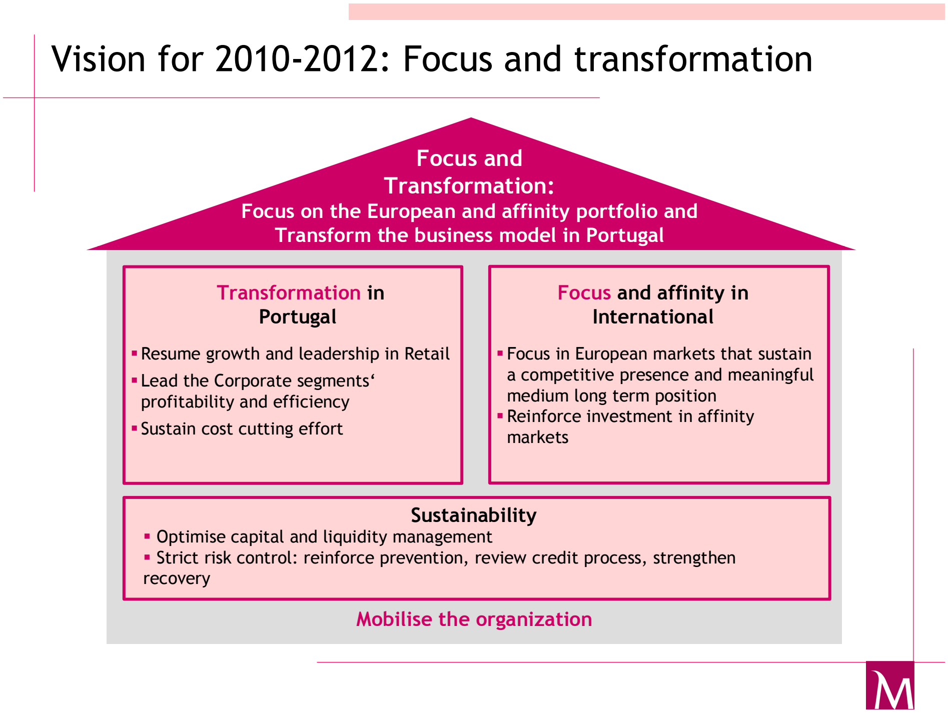
Vision for 2010-12: Focus and transformation

During the presentation of 3rd quarter 2009 Results the Bank announced its vision for the 2010-12 period, having adopted as the overall theme at the corporate and business level a vision of "Focus and Transformation". This is materialised in the focus on the European portfolio and on affinity markets, and on transformation of the business model in Portugal.

Millennium bcp is a bank undergoing transformation: institutionally stable, commercially resilient, focused on risk control, on efficiency, on innovation and on customer service. Transformation is both necessary and motivating; it is necessary to regain the path to growth and value creation, and motivating in the sense that it provides the rallying cry for the involvement of management and other personnel. Transformation of the business model in Portugal will allow returning to growth and leadership in Retail, ensuring profitability and efficiency in the Companies segment and sustaining the cost-cutting effort.

The strategy of focus and affinity in international operations involves a focus on those European markets that will allow a competitive presence and a significant position in the medium and long term, and continuity of investment in affinity markets.

The Bank's vision for 2010-12 also rests on a third pillar: Sustainability, which is the optimisation of capital and liquidity management and the strengthening of risk control, seeking to increase prevention, revise the credit decision process and strengthen loan recovery.



Summary of the options of the "Focus and Transformation" vision for each area

Transformation in Portugal

"Returning to Growth and Leadership in Retail": the option consists of leveraging Millennium bcp's differentiation factors and the new attitudes and customers preferences. This option will be implemented through:

- leveraging the large physical presence, powerful brand and strong commercial capability:
- recognition of the need for innovation, including use of new technologies to transform the business model (technologies to manage the interface with customers and commercial intelligence);
- preference for a "dual approach", involving innovation in Retail while optimising and taking advantage of the present model.

Attracting more value in the business sectors: the option consists of "Leading through Profitability and Capital Efficiency in the Business Segments" by leveraging the present position of leadership. This option will be achieved through:

- growth in products of greater added value through a comprehensive change in commercial processes and capabilities;
- adoption of optimised capital management from a standpoint of value created.

"Sustaining the Cost-Cutting Effort in Portugal", leveraged by the recent good performance in this area through ongoing focus on identifying and monitoring multiple (non-disruptive) cost-cutting initiatives.

Focus and affinity in international operations

This option consists of focusing on those countries in which Millennium bcp has the conditions to support a competitive presence and a relevant position in the market in the medium and long term, in keeping with an underlying rationale of "Concentrating Resources to go further" in those markets where the Bank can make a difference, in Poland for example. Over time, the option will involve consideration of divestment in operations of limited scale and capacity in big markets.

With regard to the increased focus on the affinity markets, the option consists of focusing on those countries in which Millennium bcp has the conditions to support a competitive presence and a relevant position in the market in the medium and long term, and on increasing the focus on the affinity markets leveraged by cultural proximity and by strategic partnerships to allow first-rate access to business.

Optimising capital and liquidity management

The option consists of achieving greater reputation and confidence through careful management of solvency and liquidity through:

- maintaining a capital position suited to the needs of the business and to regulatory requirements;
- ongoing focus on reducing the liquidity gap and adapting liquidity management to the new context.

Prevention and control in risk quality

The option consists of keeping tight control of credit-risk levels in the adverse macroeconomic environment through:

- strengthening preventive action and structural revision of the credit-extending model;
- strengthening and adapting loan-recovery capabilities to the new context.

Mobilising the organisation

To achieve success in bringing about the vision for 2010-12 employees and customers will have to be mobilised through greater involvement and a powerful communication strategy.

Economic and Financial Environment

Overall assessment

During the past two years the global economy has undergone one of the most troubled periods since the Great Depression of the 1930s, with devastating consequences for productive activity, on employment and, consequently, on banking business. As a result of the public policies in support of economic activity and the financial systems, appeared the first signs of stabilisation of economic activity, during the second half of 2009. Nevertheless, because of the extent of the damage caused, this recovery was not enough to avoid the first global economic recession in several decades.

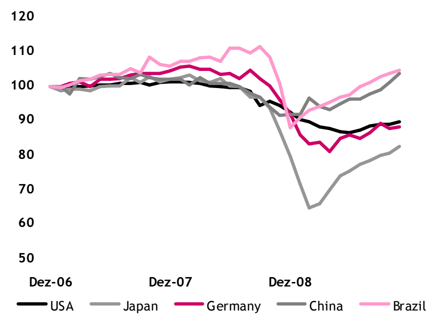
Though more positive, the outlook for the global economy in 2010 includes several challenges. Transition of support for public policies to support for the private sector is still subject to risks. The solidity of public finances as a fundamental element of confidence in the state and the commitment to price stability over time, crucial to investment decisions, constitute natural limits to new stimuli. On the other hand, change of household preferences and company strategies, with a markedly more conservative orientation, provide prospects of a slower upturn than in other periods of reversal of the economic cycle. Additionally, there is much uncertainty as to the timing and form of, and reaction to, the probable removal of the business stimulus measures.

The Portuguese economy was also affected by the global crisis. The estimate is that gross domestic product of 2,7% in real terms in 2009 and, for 2010, the expectation is one of very limited growth. Major financing requirements in addition to chronic problems of competitiveness continue to be relevant risk factors. Of those countries in which the Bank carries out business, emphasis is given to the good performance of the Polish economy, the only EU country whose GDP grew in 2009. In Poland, the perception of accession to the single currency is set to continue as a factor mobilising political will and driving investment.

Industrial production recovers from depression

Industrial production indice

Dec.2006=100, in volume



Source: Datastream

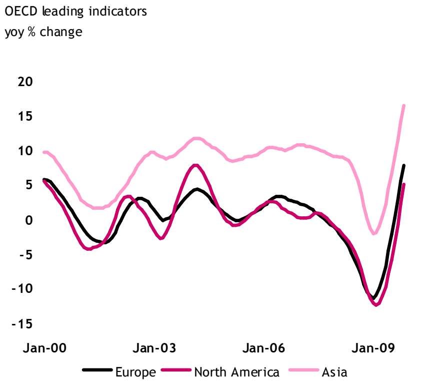
Despite some recovery of the climate of confidence, the regular working of the financial markets has only partly been re-established, particularly in the interbank markets, and the credit cycle is not seen to be favourable as a result of small turnover and deterioration of loan quality. This demanding background for the Portuguese financial institutions, alongside its overall situation of deficit in the international capital markets, imposes strict evaluation of the liquidity risk and of the use of capital, imposing a pursuit of efficiency gains, while emphasising preservation of profits, fundamental to reinforcing the solvency of the institutions.

Global economic environment

By virtue of the apparent success of public policies directed at avoiding the economic and social melt-down that began to come about, the more recent economic indicators signal a reversal of the cycle of global recession. Policies stimulating spending allowed accumulated stocks to be disposed of, with obvious repercussions on the upturn of productive activity and on world trade.

Differing economic upturn in the light of the crisis of the countries' financial condition

Inflection point in the global recessionary cycle



Source: Datastream

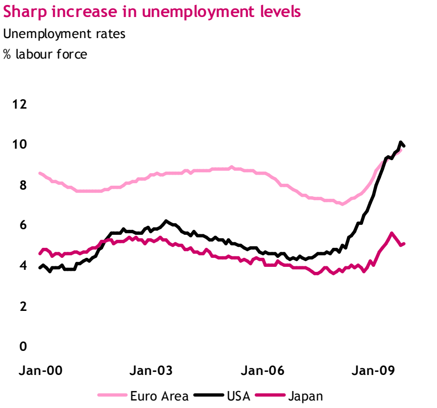
This change to the course of activity has led to an upward revision of economic growth scenarios for 2010. On the other hand, it has brought heavy costs for public finances. Faced with the reasonable limits of public policies this suggests that any sustained economic recovery will depend on the capacity of private initiative as the main engine of growth, a phenomenon more probable in those countries in which the financial condition of households and companies is seen to be more solid.

The European economies were particularly affected during this global recession. There are several countries and financial institutions that, owing to the pursuit of development and business models not based on economic fundamentals, are now going through a period of painful adjustment.

Risks still relevant to the materialisation of the growth scenarios

The more acute stage of the crisis seems to have passed, though relevant risks persist for the near future. Of these, emphasis is given to a slowdown of economic activity as a result of a defective transition from public drive to private initiative and the end to the temporary effects now extant. This risk is greater in those countries with higher debt levels, less autonomy of domestic demand and greater vulnerability to external financial conditions, factors that tend to act and to mutually strengthen themselves at the same time.

Sharp increase in unemployment levels



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In a different sense, the dynamism of the emerging economies, some of which have major difficulties in accessing natural resources, may bring renewed tensions to the raw-materials markets and consequently interfere in the recovery process of countries at a more delayed of the economic cycle, especially those more dependent on primary resources from abroad.

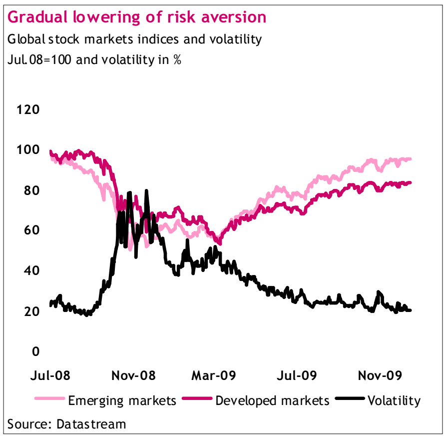
Lastly, economic, financial and social difficulties constitute fertile ground for the exacerbation of protectionism, despite institutional opposition within the G20. In a scenario of weak growth and latent social pressure one cannot ignore the risk of protection 1st practices by local constituents, to the detriment of processes of free trade and aid for financially weaker countries.

Reduction of the deflationary risk, but still-moderate inflationary pressures

The inflation rate of the leading economies is at an historically low level owing to the combination of basic statistical effects related with oil-price performance and manufacturing over-capacity. The use of installed capacity, though showing some signs of recovery in recent months, continues low. Unemployment rates rose sharply in most countries notwithstanding the public measures to defend and stimulate employment. For these reasons the pressures underlying prices are set to remain moderate.

Financial markets and banking business

The financial markets were uncommonly volatile during the early months of 2009. Equity markets fell sharply and risk premiums rose to very high levels. The joint action of the monetary authorities, governments and financial sector institutions alleviated the climate of risk aversion, with very positive effects on narrowing risk premiums and on the recovery of the capital markets, some of which, paradoxically, have returned the biggest annual growth of the decade. However, the prices seen prior to the crisis of the leading stock markets have not yet been re-established and, for some financial products, there is still a partial absence of an active, liquid market.

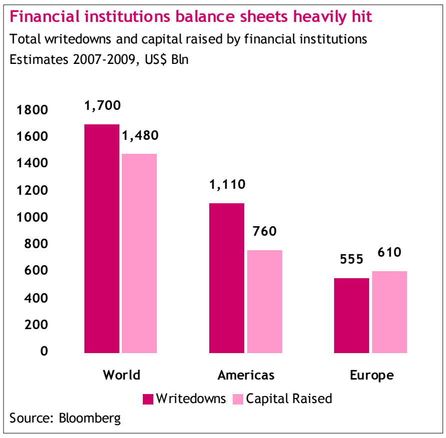


However, intervention by the authorities also implies various challenges: the volume of activity of the central banks grew significantly by substituting, in part, the classical functions of the interbank market subsist in liquidity intermediation and that they assumed the credit risk of the respective counterparty, though mitigated by a demand for high-quality guarantees; and the states' intervention increased public debt and created distortions in the perception of risk, interfering with the disciplinary action of the market.

Banking business affected by sequential shocks of differing natures

The financial and banking sector has been at the epicentre of the crisis, partly the result of defective perception, at different levels, of the risks incurred. The worsening of the global macroeconomic situation added to the previous impact of the financial turbulence, bringing considerable pressure to bear on the profitability and solvency of financial institutions. The states' support for their respective financial systems was seen a crucial to underpinning investor confidence and to bringing new life to the capital markets.

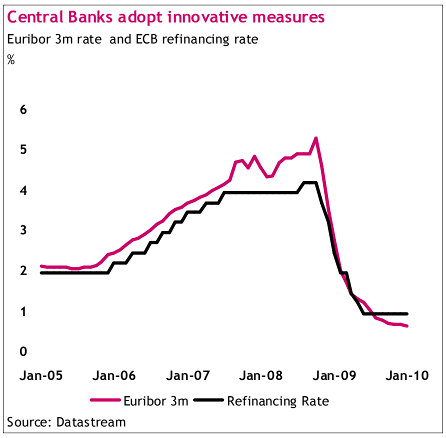
Whereas in 2008 the main effects on the profits of the financial institutions were caused by the devaluation of the financial instruments of the capital markets, 2009 was characterised by sharp growth of non-performing loans, in at first as collateral damage of the devaluation of assets, but, at a later stage, a reflection of the deterioration of economic activity, showing the propagation of the initial financial crisis, relatively circumscribed to other countries and financial systems, regardless of the degree of exposure to complex structured products or to economic sectors where finances are less balanced.



Substantive response by the financial institutions and monetary authorities in bringing confidence to the financial system and to the financing of economic activity

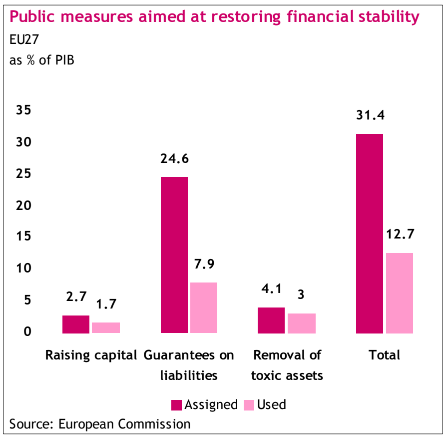
The erosion of the capital base of the financial institutions encouraged the increase of equity capital through the issue of shares or hybrid instruments. At the same time, central banks cut their interest rates to almost negligible levels and adopted extraordinary quantitative easing measures, both in their own and in foreign currencies. Governments provided funds to recapitalise companies (nationalisation or forced shareholdings at the limit) and guarantees for debt issues on the international markets, and they established mechanisms to get a round problems related with financial assets that had no active trading market. This joint action allowed a gradual return to debt issuance on the international markets, with longer maturities, despite involving higher financing costs.

Change to the measures of support for the financial systems, to the regulatory framework and to the supervision architecture



With more recurrent signs of a return of some stability to the financial markets, central banks, faced with stabilisation of the situation of the economy and aware of the distortions of market mechanisms, are set to assess the need to maintain the extraordinary procedures involving support for the financial system, firstly in respect of the measures that simplified access to liquidity and, later, of the degree of normalisation of interest rates.

The regulatory framework concerning the banking business may well be overhauled in depth in the coming years. Taken as a whole, the proposed changes bring greater restrictions to the banks' operations, penalising risk-taking and increasing the cost of funds, while introducing some complexity to their implementation. The supervision architecture may also undergo change in the light of what the authorities see as the model best suited to ensure confidence in the industry and the interlink with the supervision entities of the various financial systems



The changes to the regulations will probably affect these major areas: solvency, liquidity risk management and economic incentives. In solvency, the intention would be to strengthen the quality of capital, involving proposals leading to stronger capital ratios; redefinition of capital instruments; provisioning in the light of the stage of the credit cycle or selected risks; and limits to the degree of financial indebtedness, with a direct impact on the cost of funds and on the scope of the credit institutions' activities. The liquidity difficulties that came about with the financial crisis gave rise to the proposed changes within the scope of liquidity-risk management, directed at a more conservative stance, particularly through the obligation to set up portfolios of highly-liquid assets and an even more careful selection of placements, encouraging a preference for less-complex financial instruments traded in markets of great depth and institutional acceptance. Economic incentives – especially in the variable remuneration component – have also been subject to the specific interest of regulation.

Financial institutions adapt strategic positions

The demands made by the changes in economic, financial and regulatory environment have caused a review of strategic positions by the financial institutions. Careful allocation of scarce capital calls for rethinking of the scope and dispersal of the business. The flaws detected in terms of risk-management and closer scrutiny by the supervisors and by the market agents themselves have brought pressure to bear for the adoption of less-complex business models. Reassessment of the optimal size of the financial institutions for reasons to do with the monitoring and activity of the supervisors or as a result of the problems revealed by the economic crisis, may contribute to a fresh outbreak of corporate financial activities in the coming years.

Economic and financial performance of the countries where the Bank carries on its business

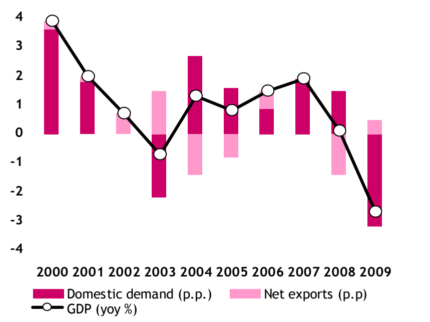
Portugal less affected by the crisis, though with limited recovery potential

The Portuguese economy was affected by the global crisis and the gross domestic product is estimated to have fallen by about 2.7% in real terms as a result of the downturn of public and private investment spending. On the assumption of better performance of the economies of the main trading partners, 2010 is expected to see very moderate GDP growth. The potential growth would appear to be conditioned by the absence of structural reform having a relatively fast impact.

Material decrease in Portuguese GDP in 2009

GDP and growth components

% yoy change and contributions in p.p.



Source: Banco of Portugal

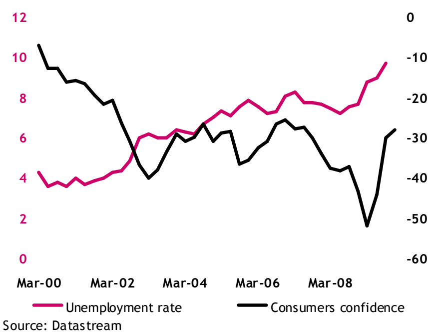
Private consumption slowed significantly, though the reduction of interest rates to abnormally low levels and the intense deflationary process contributed to a mitigation of the impact of lower employment on household finances. Nonetheless, the actual or expected budget restrictions are clear to see in consumer preferences, more selective in their spending, particularly in purchases of greater value. The unemployment rate rose to nearly 10%, one of the highest figures of the recent past, on a par with an increase of structural unemployment. The higher unemployment rates were seen among the less-qualified and among youths looking for their first job, reflecting the lack of flexibility prevalent in the employment market. The 2009 inflation rate was negative (-0.8%), corresponding to the lowest annual price variation since the 60s. The breakdown of inflation shows the influence of energy prices in this process. For 2010 this aggregate shouldn't aggravate the inflation pressure, despite the fact that the final effect is set to be mitigated by the modest evolution of the prices of other items.

The intense decline of domestic demand was reflected in a sharp downturn of imports and for this reason, notwithstanding the very adverse background in the main export markets for Portuguese products and services, the contribution made by net foreign demand to GDP growth was positive in 2009. The slight recovery of private saving, allied to better terms of trade, provided a reduction of the foreign deficit. Nevertheless, it is still very high and some of its elements are somewhat rigid as a result of the energy deficit and of the accumulation of debt in recent years, and no favourable changes are on the horizon for 2010. Therefore, the mere reduction of the trade deficit (excluding energy goods) may be insufficient to achieve a better balance of the foreign accounts. Another step will have to be taken in evolving to a surplus under the non-energy headings, though this would certainly require a profound change of spending habits (consumption and investment) that have prevailed in recent years, as well as the desired reduction of the relative costs.

Confidence levels harmed by high unemployment levels

Households confidence and unemployment rate

Indices and as a percentage of the labour force



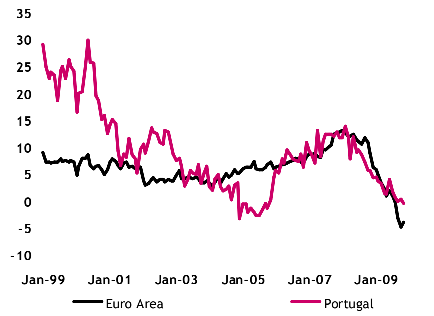
Source: Datastream

State intervention, in line with the Community programmes and dictated by the course of economic activity, leaves behind a legacy of weak public finances that limit economic policy options for the coming years. Since any re-establishment of lower figures for the public deficit will be hard to achieve with the effect of the cycle in reverse and taking into account the government's orientation towards public investment in infrastructure, compensatory measures will have to be adopted under other headings, through a review of fiscal parameters, of the criteria governing the award of grants and a new commitment to measures to rationalise working costs and to combat tax fraud.

Banking business in Portugal reflects the economy's structural weaknesses

In general terms, banking business in Portugal replicated the performance of the Euro Area: moderation of business volumes, pressure on net interest income, volatility of trading income and worsening loan quality. Revision of the credit spreads is under way, aligning the domestic prices with the higher cost of funding on the international markets, but their impact on income is diluted over time in the light of contractual imperatives.

Rapid slowdown in lending volumes
Loans to domestic residents - Euro Area and portugal
% annual change



Source: Datastream

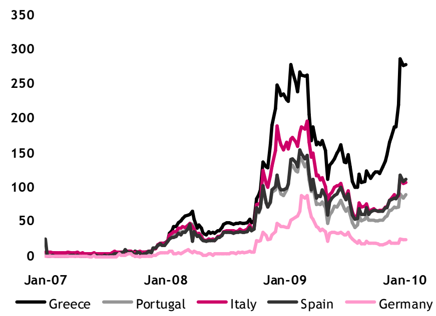
Funding difficulties experienced in the capital markets were attenuated and the domestic financial institutions adjusted their financing plans (by type and maturity) in the light of market opportunities, allowing a lengthening of issued debt, particularly through recourse to covered bonds during the second half of 2009. The volume of credit granted to the economy slowed, but continues to grow notwithstanding a very sharp growth of doubtful debt.

This environment of less activity, greater commercial aggressiveness in attracting and retaining customers, and worsening credit quality were reflected in lower profitability and in a worsening of the solvency indicators of the credit institutions. This was offset by timely strengthening of the capital bases by a large number of financial institutions in Portugal.

At regulatory level, and besides the monitoring and adoption of Community measures, attention is also drawn, specifically for Portugal, to the following: (i) at a prudencial level, the Bank of Portugal's guidelines on increasing own funds and the solvency ratio, and periodic monitoring of the liquidity of those institutions subject to supervision; (ii) at behavourial level, the emphasis is on the creation of the credit mediator and on the recommendation for greater functional autonomy of the customer Ombudsman; on the accessory duties of information for the customer, both on taking simple bank deposits and on marketing complex financial products; and new rules on the value-date, provision of operations stemming from deposit contracts and imposition of maximum limits on interest rates applicable to consumer credit; (iii) in the field of administrative offences, new rules have been instituted on the derogation of banking confidentiality and the prohibition of extending credit to entities headquartered in non-co-operating tax jurisdictions has been decreed.

Budget restrictions condition growth of the Greek economy in 2010

Differing risk premiums on euro area sovereign issuers
Annual cost of default insurance
5 Year Credit Default Swaps, in basis points



Source: Datastream

Greece, too is faced with recession, following several years of robust growth, though with an accumulation of significant imbalances. Sensitivity to cyclical economic sectors such as shipping accentuated the negative effects of the abrupt fall of foreign trade. The automatic adjustments and state intervention in the economy further aggravated the chronic difficulties of the public finances, which rose to unsustainable levels (public deficit and public debt above 12% and 100% of the GDP, respectively). The urgency of budget consolidation and the deterioration of funding costs on the international markets, caused by the upward revision of the risk premium for the Greek economy, limit the middle term growth potential. The 2010 budget assumes a sharp reduction of the deficit to below 9% of the GDP, on the basis of current spending cuts, an episodic increase of revenues and improved tax efficiency, in a scenario of the GDP falling by 0.3% compared to 2.0% in 2009. The deterioration of the economic and financial conditions and a certain social instability have contributed to a significant slowdown of credit extended to the economy.

Polish economy the best performer of the EU 27 countries

The sharp downturn of international investment flows, allied to a weaker global macroeconomic context, was prejudicial to the economies of Eastern Europe, faced as they were with serious difficulty in refinancing debt on the international markets. The commitments negotiated at the EU level and with the support of the IMF restored some tranquillity to the markets, creating sufficient room for the adoption of a more pro-cyclical monetary policy. In some countries the adjustment processes were intense, with two-digit GDP falls caused by a dramatic drop of domestic demand.

Against this adverse background the Polish economy stands out for its good economic performance, probably the only European Union country with GDP growth, of 1.8% in 2009. Vigorous domestic demand, low exposure of the banking industry to problematic sectors and products, and the adoption of measures to stimulate the economy are some of the factors that underpinned this performance. The problems generated by the global instability of the financial markets were overcome: the currency again tended to appreciate, the stock markets recovered from the sharp losses and the central bank cut its refi rates, lending additional support to domestic demand. The unemployment rate increased, though the more recent economic indicators, especially those related with the industrial and construction sectors, showed improvements that lead to expectations of a less badly-performing labour market over time.

Poland the sole EU country avoiding recession in 2009

Real GDP estimates

Annual % change

Source: European Commission

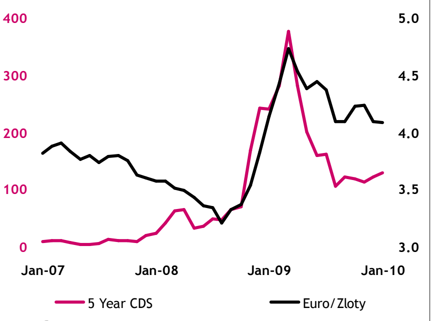
The ability to withstand the crisis, the privileged position in geographic terms, the commitment of the authorities to the pursuit of an economic policy directed at accession to the single currency in due course all underpin expectations of a relatively speedy return to a situation of robust economic growth in line with the potential (3% per annum, in real terms). The electoral cycle, with presidential and general elections scheduled for the end of 2010 and early 2011 and the major sports event set to take place in 2012 are additional factors that will likely promote growth.

Credit extended to companies declined but this is not likely to raise barriers to investment owing to the internal ability of Polish companies to generate funds. Credit to individuals slowed, though it continues to grow. The degree of penetration of banking services is low when assessed in comparison with other European countries, and for this reason growth potential is seen to be high and likely to come about.

Confidence returns to polish financial markets

Sovereign risk premium and exchange rate

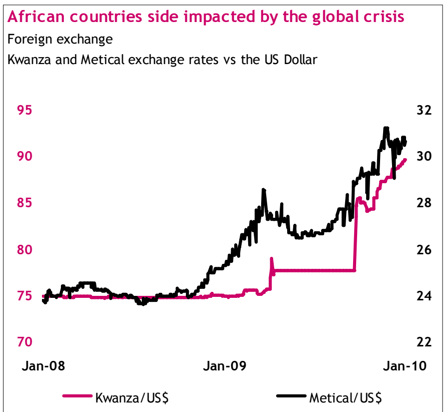
5 year Credit Default Swaps in basis points and the zloti exchange rate



Source: Datastream

African countries hampered by the downturn of global trade, though resilient

The degree of exposure of African countries to the problems of the financial systems of the developed economies is seen to be small, but the effects of the global economic crisis were also felt. The shockwaves were more intense in those countries having greater concentration of sectoral contributions to growth.



Source: Datastream

In Mozambique GDP growth was 6.3% in 2009 accompanied by a widespread deflationary process. The contribution of new projects to exports made a determinant improvement to the foreign position of the Mozambican economy. The export cover rate performed well, strengthening net official reserves, able to cover about 6 months import requirements, twice the previous year's figure. The absence of inflationary pressures provided manoeuvring room for an increase of the money supply and of credit to the economy. Continuation of the significant spread between interest rate on deposits and on loans had also a positive effect on the growth of the banks' net interest income.

In Angola, the adverse situation of the economy required a revision of the national plan and of the General State Budget owing to the erosion of foreign currency during the first half of the year, caused by the downturn of oil and diamond revenues. Intervention by the authorities in the foreign-exchange markets, involving devaluation of the currency, and in the domestic financial markets, conditioning access to foreign currency, helped to maintain macroeconomic stability, but did not prevent a slowdown of economic activity. GDP virtually stagnated in 2009. A return to sharp growth is expected in 2010. Despite the unfavourable economic context, the non-oil sector continued to perform well. The productive structure of the Angolan economy is going ahead, leading to a greater diversity of sectoral contributions to growth. This trend is set to be stronger in 2010, benefiting from the investment plan and from the planned public investments.

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Financial Report

Financial highlights						Euro million
	2009	2008	2007	2006	2005	Chan. % 09/08
Balance sheet at December 31						
Total assets	95,550	94,424	88,166	79,045	76,850	1.2%
Loans and advances to customers (net) [(1)]	75,191	74,756	65,225	56,327	52,700	0.6%
Total customer funds [(1)]	67,002	65,803	63,247	56,520	55,797	1.8%
Shareholders' equity and subordinated debt	9,108	8,559	7,543	7,562	7,208	6.4%
Statement of income						
Net operating revenues	2,493.2	2,602.0	2,791.9	2,874.7	3,016.9	-4.2%
Net interest income	1,334.2	1,721.0	1,537.3	1,430.8	1,407.7	-22.5%
Other net income	1,159.0	881.0	1,254.6	1,443.9	1,609.2	31.6%
Operating costs	1,540.3	1,670.8	1,748.6	1,725.5	1,908.2	-7.8%
Impairment						
For loans (net of recoveries)	560.0	544.7	260.2	119.9	113.5	2.8%
Other impairments and provisions	97.4	44.5	94.8	35.4	57.2	118.7%
Income tax	46.2	84.0	69.6	154.8	97.4	-45.0%
Minority interests	24.1	56.8	55.4	52.0	87.0	-57.6%
Net income attributable to the Bank	225.2	201.2	563.3	787.1	753.5	11.9%
Average number of shares outstanding adjusted (in thousands)	4,661,932	4,460,656	4,011,791	4,005,885	3,620,728	4,5%.
Basic net earnings per share adjusted (euros)	0.03	0.03	0.13	0.18	0.20	-1.6%
Diluted net earnings per share adjusted (euros)	0.03	0.03	0.13	0.18	0.18	-1.6%
Profitability						
Return on average shareholders' equity (ROE)	4.6%	4.5%	14.9%	23.4%	25.2%	
Income before tax and minority interests / Average shareholders' equity	5.7%	7.1%	17.1%	27.0%	28.1%	
Net operating revenues / Net average assets	2.6%	2.8%	3.3%	3.7%	4.0%	
Return on average total assets (ROA)	0.2%	0.2%	0.6%	1.0%	1.0%	
Income before taxes and minority interests / Average net assets	0.3%	0.4%	0.8%	1.3%	1.2%	
Net interest margin	1.6%	2.1%	2.1%	2.2%	2.2%	
Other income / Net operating revenues	46.5%	33.9%	44.9%	50.2%	53.3%	
Eficiency						
Cost to income [(2)]	63.6%	58.6%	60.3%	61.2%	64.7%	
Cost to income - Activity in Portugal [(2)]	60.2%	54.0%	58.5%	59.7%	64.2%	
Staff costs / Net operating revenues [(2)]	35.7%	32.2%	32.8%	34.4%	37.3%	
Solvency						
Core Tier I ratio (IRB *)	7.1%	-	-	-	-	
Tier I ratio (IRB *)	9.2%	-	-	-	-	
Tier I ratio (standard)	9.3%	7.1%	5.5%	6.6%	7.4%	
Total ratio (standard)	11.5%	10.5%	9.6%	11.0%	12.9%	
Credit quality						
Loans and advances to customers [(1)]	77,348	76,233	66,444	57,567	54,045	1.5%
Past due loans total	2,032	851	555	498	504	138.8%
Impairment for loans	2,157	1,480	1,222	1,242	1,344	45.7%
Past due loans (>90 days) / Total loans	2.3%	0.9%	0.7%	0.8%	0.8%	
Past due loans (>90 days) + doubtful loans / Total loans	3.4%	1.3%	1.0%	1.1%	1.1%	
Past due loans (>90 days) + doubtful loans (net) / Total loans (net)	0.6%	-0.6%	-0.8%	-1.1%	-1.4%	
Total impairment / Past due loans (>90 days)	119.0%	211.6%	251.8%	284.8%	301.8%	
Total impairment / Total past due loans	106.1%	173.9%	220.4%	249.3%	266.9%	
Other						
Branches						
Activity in Portugal	911	918	885	864	909	-0.8%
International activity	898	886	744	615	643	1.4%
Employees						
Activity in Portugal	10,298	10,583	10,742	10,808	11,465	-2.7%
International activity	11,498	12,006	10,380	8,517	8,183	-4.2%

[(1)] Adjusted from companies in the process of sale - Millennium bank Turkey (2005 to 2008).
[(2)] On a comparable basis, adjusted from the sold or partly sold companies - Banque BCP France, Banque BCP Luxembourg, bcpbank Canada and Interbanco (2006 and 2005) and Banco Comercial de Macau (2005)- and excluding the impact of one-off items.
[(*)] Pro forma capital ratios determined according to the release authorisation from the Bank of Portugal (detailed information in the Financial Review on the chapter "Capital Management").

Financial Review

The consolidated Financial Statements have been prepared under the terms of Regulation (EC) no. 1606/2002 of 19 July, and in accordance with the reporting model determined by the Bank of Portugal (Notice no.1/2005), following the transposition into Portuguese Law of Directive no. 2003/51/EC of 18 June, of the European Parliament and of the Council.

In accordance with the agreement established to the sale of 95% of the shareholding in Millennium bank in Turkey, and pursuant to the IFRS 5, on 31 December 2009, the total assets and liabilities of this subsidiary were presented, respectively, in the item of “Non current assets held for sale” and “Non current liabilities held for sale” of the Consolidated Balance Sheet, while the total expenses and income for the year continue to be entered in accordance with the respective nature in the diverse item of the consolidated Income Statement. Up to the date of the sale the Group continues to consolidate, in reserves and income, changes in the net asset of Millennium bank in Turkey.

Under the restructuring of the management perimeter of the business areas in 2009, the subsidiaries Millennium Banque Privée Switzerland and Millennium bcp Bank & Trust Cayman were included in the perimeter of the international activity and, for comparability purposes, the consolidated information broken down between activity in Portugal and international activity related to the years 2005, 2006, 2007 and 2008 was recalculated.

Summary

In a particularly complex environment for the banking and financial activity in the developed economies, notwithstanding the fast intervention of the Central Banks and of Governments through the implementation of extraordinary measures of increasing liquidity and of stimulating the economies through monetary and budget initiatives, Millennium bcp in 2009 demonstrated the capability to adapt and respond to the challenges raised in the different countries in which it operates and the flexibility to take advantage of the opportunities in the markets, aimed at strengthening its business portfolio and obtaining adequate levels of profitability, with special emphasis on the retail business and centred on providing a service of excellence to customers.

Aiming to adapt to the conditioning factors of the capital and credit markets, strictly following the Group’s financial policy, the adoption by the Bank of prudential criteria and flexibility of action in liquidity management, encouraging the attraction and retention of customer funds and the balanced growth of credit granted to customers, the implementation of a securitisation operation of mortgages and their relevance as collateral for financing purposes at the European Central Bank, were the main aspects of the Group in the area of liquidity management.

Total assets amounted to Euro 95,550 million as at 31 December 2009, compared with Euro 94,424 million as at 31 December 2008. Loans to customers, before credit impairment, reached Euro 77,348 million as at 31 December 2009, showing an increase of 1.5% from Euro 76,233 million, on a comparable basis, as at 31 December 2008, supported by the increase in credit to companies in the services sector and in loans to individuals.

Total customer funds grew to Euro 67,002 million as at 31 December 2009, an increase of 1.8% from Euro 65,803 million, on a comparable basis, as at 31 December 2008, sustained fundamentally by the growth in customer deposits and in capitalisation insurance.

Net income amounted to Euro 225.2 million in 2009, compared with Euro 201.2 million in 2008. The evolution of net income was positively influenced by the reduction in operating costs and by the rise in equity accounted earnings, despite the drop in net interest income, reflecting the increase in the cost of funding and the narrowing of spreads on customer deposits, and the evolution in loan impairment charges (net of recoveries), as a result of the coverage of impairment indicators in the loan portfolio, as well as other provisions.

Regarding the process under review by the Bank of Portugal concerning the use of the IRB approach, Millennium bcp calculated pro forma capital ratios according to the mentioned IRB approach, as explained on the chapter related to “Capital Management”. According to this approach the Core Tier I stood at 7.1% and Tier I and Total solvency ratio at 9.2% and 10.5%, respectively, as at 31 December 2009.

In accordance with the standard approach, the solvency ratio stood at 11.5% as at 31 December 2009, showing an improvement from 10.5% at the end of 2008. The Core Tier I ratio showed a favourable evolution in the same period, from 5.8% to 6.4%, as well as the Tier I ratio, which increased from 7.1% to 9.3%. The improvement in solvency ratios reflects the positive impacts related with the performance of the pension fund, with the issue of Perpetual Subordinated Debt Securities with Conditional Coupons, with the sale of assets and with the organic generation of capital, notwithstanding the negative impacts in Core Tier I mainly associated with the deferred adjustments related to the transition to IFRS authorised by the Bank of Portugal, with the devaluation of the investment in Eureko and with the deduction of the gap recorded between regulatory provisions and impairments.

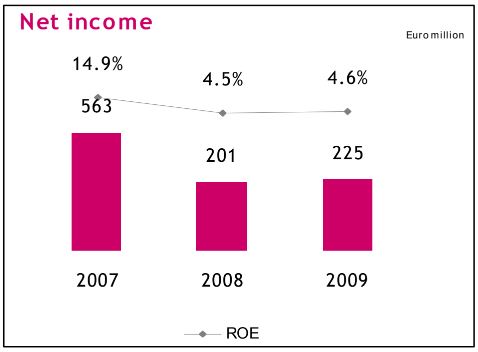
Risk weighted assets also contributed for the favourable performance of capital ratios, posting a reduction in 2009, supported both by the reinforced control over increase of business risks and the efficiency of their management, in particular regarding loan collateralisation, and by the adoption of standardised approach to calculate the capital requirements for the operational risk.

Review of Profitability

Net Income

The Millennium bcp’s consolidated net income amounted to Euro 225.2 million in 2009, compared with the Euro 201.2 million recorded in 2008.

The net income in 2009 includes the capital gain accounted from the entry of new shareholders in Banco Millennium Angola’s share capital, recorded in the first quarter, amounting to Euro 21.2 million, the gains obtained in the sale of assets, amounting to Euro 57.2 million, recorded in the third quarter, and the accounting of costs with the early retirement of employees, amounting to Euro 2.9 million (net of tax), recorded in the fourth quarter of 2009. Net income in 2008 incorporates the impacts of the accounting (net of tax) of impairment losses associated to the devaluation of the shareholding in Banco BPI, S.A., amounting to Euro 232.6 million, of the cancellation of part of variable remuneration accrued in 2007, amounting to Euro 13.2 million, and of the restructuring costs related with the early retirement of employees, amounting to Euro 5.7 million.

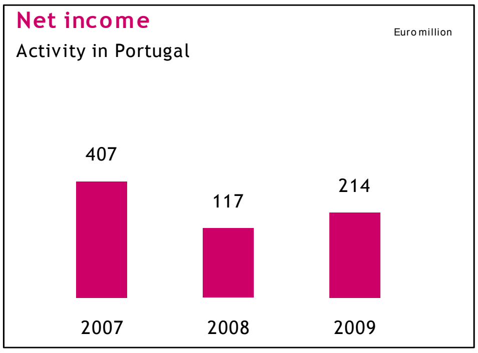


The evolution of net income, excluding the impacts previously mentioned, was positively influenced by the reduction in operating costs and by the rise in equity accounted earnings, despite the drop in net interest income, reflecting the increase in the cost of funding and the narrowing of spreads on customer deposits, and the evolution in loan impairment charges (net of recoveries), as a result of the coverage of impairment indicators in the loan portfolio, as well as other provisions. Equity accounted earnings were boosted by the evolution of net income from Millenniumbcp Fortis, while the reduction in operating costs benefited from the decreases achieved in most cost headings, in particular in other administrative costs and staff costs, as a result of the effect of the initiatives implemented to streamline and optimize the Bank’s operations.

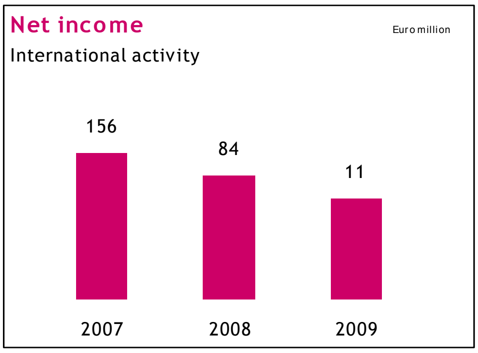
Quarterly income analysis							Euro million
	2009						
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	2008	2007
Net interest income	373.8	301.8	322.6	336.0	1,334.2	1,721.0	1,537.3
Other net income							
Dividends from equity instruments	0.6	2.5	1.2	(1.0)	3.3	36.8	27.9
Net commissions	168.7	177.9	187.1	198.0	731.7	740.4	664.6
Net trading income	149.8	64.4	(26.0)	37.2	225.4	18.1	392.3
Other net operating income	35.1	15.9	75.6	5.7	132.3	66.6	118.6
Equity accounted earnings	11.5	19.5	16.9	18.4	66.3	19.1	51.2
	365.7	280.2	254.8	258.3	1,159.0	881.0	1,254.6
Operating costs							
Staff costs	231.9	212.3	222.9	198.2	865.3	915.3	1,006.2
Other administrative costs	142.6	136.1	148.0	143.5	570.2	642.6	627.5
Depreciation	26.2	26.1	26.3	26.2	104.8	112.9	114.9
	400.7	374.5	397.2	367.9	1,540.3	1,670.8	1,748.6
Impairment							
For loans (net of recoveries)	160.1	119.0	130.3	150.6	560.0	544.7	260.2
Other impairment and provisions	36.9	24.1	14.5	21.9	97.4	44.5	94.8
Income before income tax	141.8	64.4	35.4	53.9	295.5	342.0	688.3
Income tax	28.8	17.1	5.4	(5.1)	46.2	84.0	69.6
Income after income tax	113.0	47.3	30.0	59.0	249.3	258.0	618.7
Minority interests	6.4	6.5	(0.7)	11.9	24.1	56.8	55.4
Net income attributable to the Bank	106.6	40.8	30.7	47.1	225.2	201.2	563.3

Consolidated net income in 2009 was favourably influenced by the resilience showed by the franchise in Portugal, although hindered by the lower contribution from international activity.

Net income in Portugal reached Euro 213.8 million in 2009, compared with Euro 116.7 million in 2008. This evolution reflects, on the one hand, the growth in net operating revenues, influenced by the increase in net trading income, which includes in 2008 the impairment resulting from the devaluation of the shareholding in Banco BPI, S.A., which has meanwhile been sold, and, on the other, the reduction in operating costs, in particular through the reduction of 15.5% in other administrative costs, through the initiatives implemented focused on operative efficiency.



In the international activity, net income in 2009 was determined by the evolution in net operating revenues and in credit impairment charges recorded by most operations, reflecting the growth in the volumes of loans granted and the greater need to cover the signs of impairment in the loan portfolio. However, net income from the international activity was positively influenced by the reduction in operating costs, following the efforts undertaken to rationalise structures, with particular emphasis in Bank Millennium in Poland, which more than offset the increase in operating costs in Banco Millennium Angola and in Millennium bim in Mozambique, as a result of the strategy of organic growth implemented in these markets.



The net income of Bank Millennium in Poland stood at Euro 0.3 million in 2009, compared to Euro 117.9 million in 2008, fundamentally determined by the downturn in net operating revenues and by the increase in credit impairment charges, in particular in loans to companies and consumer credit, as a result of the deterioration in the financial situation of some companies and the reduction in the value of the guarantees associated to loans to individuals, on the one hand, and of the simultaneous assessment of the loans portfolio, in particular in restructured loans related to transactions with foreign exchange derivatives, on the other. The evolution of net operating revenues was especially affected by the performance of net interest income, associated to the accentuated reduction in the spreads of demand and term deposits, following the decrease in interest rates and pressured by the strong sectorial competition, notwithstanding the gradual recovery in net interest income and in net commissions in the second half of the year, reflecting the impact of the adjustment in the pricing of operations to the market conditions. At the same time, there was a reduction in results from foreign exchange transactions, related in particular with the lower volume of operations in foreign currency. The evolution of net income benefited from the reduction in operating costs, which, besides the foreign exchange effect of the Polish Zloty against the Euro, reflected the impact of the restructuring and operative rationalization initiatives in the reduction of both staff costs and other administrative costs.

Net income of Millennium bank in Greece stood at Euro 9.0 million in 2009, compared with Euro 15.1 million in 2008. This evolution was fundamentally influenced by the upper credit impairment charges, reflecting the increase in the level of non-performing loans, especially in loans to companies, driven by the adverse economic environment, which was also reflected in the reduction in net interest income. Notwithstanding this, Millennium bank's performance benefited both from the drop in staff costs, related with the reduction in the number of employees, and from the increase in net trading income.

The Millennium bank in Turkey presented a loss of Euro 7.2 million in 2009, compared with the positive net income of Euro 1.8 million recorded in 2008. This performance reflects the reduction in net operating revenues, in particular in net interest income, associated essentially to the lower average volume of the securities portfolio, and in other net operating income, which in 2008 included the gain obtained from the sale of the head office building. However, net income in 2009 was favourably influenced by the operating costs control. Millennium bank in Turkey, as referred in the notes to the consolidated financial statements - Note 26 –, was classified as non current assets held for sale.

Banca Millennium in Romania recorded a loss of Euro 38.0 million in 2009, compared to a loss of Euro 32.9 million posted in 2008, despite the growing commercial activity and the consequent generation of income, which was still insufficient to cover the structuring costs of this operation, which was launched at the end of 2007. The evolution of net income between 2008 and 2009 was influenced by the higher level of credit impairment charges and was positively impacted by the growth in net operating revenues and by the operating costs control, notwithstanding the fact that there was an increase in the number of employees and the branch network was expanded.

Net income of Millennium bim in Mozambique amounted to Euro 52.0 million in 2009, compared with Euro 51.5 million recorded in 2008. Net income was boosted by the growth in income, sustained by the positive performance of the business volumes, which more than offset the higher level of credit impairment charges and the rise in operating costs, as a result of the increase in the number of employees and branches, under the expansion plan of this operation.

The net income of Banco Millennium Angola grew to Euro 14.6 million in 2009, compared with Euro 4.4 million posted in 2008. This evolution was driven by the growth in income, in particular in net interest income, in commissions related with transfers and in results from foreign exchange transactions, notwithstanding the higher level of provisioning and the rise in operating costs, reflecting the increase in staff costs, as a result of the increase in the number of employees, and in other administrative costs, caused by the implementation of the expansion plan of the branch network.

Millennium bcpbank in the United States of America showed a loss of Euro 9.5 million, compared with a loss of Euro 6.1 million recorded in 2008. Net income in 2009 reflects fundamentally the increase in credit impairment charges, together with the reduction in net interest income, despite the repricing of deposits and of banking commissions, notwithstanding the saving achieved in terms of operating costs, in particular in staff costs, reflecting the reduction in the number of employees and the impact of the measures implemented to rationalise costs.

Net income of Millennium Banque Privée Switzerland totalled Euro 7.8 million in 2009, compared with a loss of Euro 30.4 million posted in 2008. This performance benefited from the reversal of credit impairment in 2009 following the appreciation of the financial collateral received as guarantee. In addition, net operating revenues registered a growth, boosted by net trading income, in particular by operations with securities.

Millennium bcp Bank & Trust Cayman presented a net income of Euro 9.6 million in 2009, compared with Euro 20.9 million in 2008. This operation is especially geared towards providing international services in the area of private banking for individual customers with a high net worth of assets. The evolution in net income was determined by the reduction in net interest income, following the lower business volumes, and by the increase in credit impairment charges, notwithstanding the reduction in operating costs.

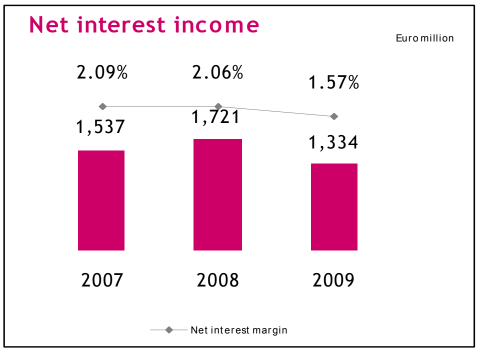
Net income of foreign subsidiaries Euro million

	2009	2008	2007	Chan. % 09/08
Bank Millennium Poland	0.3	117.9	121.8	-99.7%
Millennium bank Greece	9.0	15.1	22.1	-40.5%
Millennium bank Turkey	(7.2)	1.8	(0.8)	-
Banca Millennium Romania	(38.0)	(32.9)	(20.7)	-
Millennium bim Mozambique	52.0	51.5	41.4	1.0%
Millennium Angola	14.6	4.4	5.0	235.7%
Millennium bcpbank United States of America	(9.5)	(6.1)	(0.5)	-
Millennium Banque Privée Switzerland	7.8	(30.4)	13.7	-
Millennium bcp Bank & Trust Cayman	9.6	20.9	30.2	-54.1%

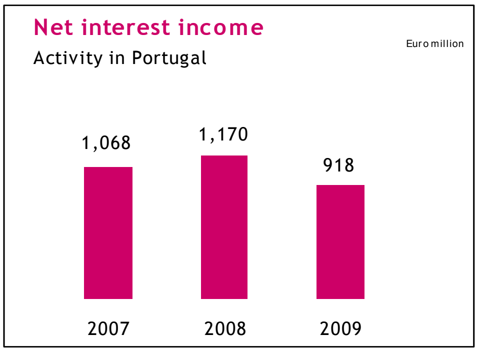
Net Interest Income

Net interest income totalled Euro 1,334.2 million in 2009, compared with Euro 1,721.0 million in 2008. This evolution was fundamentally influenced by the unfavourable interest rate-effect of Euro 406 million, partially offset by the positive volume-effect of Euro 30 million.

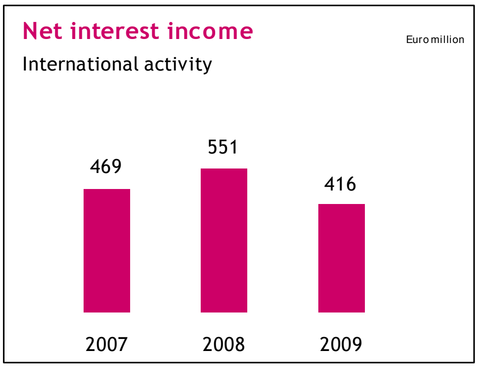
The performance of net interest income essentially reflects the reduction in interest rates of operations with customers, following the trend of the market interest reference rates, leading to an unfavourable effect in the gap between the average interest earning asset rates and the average interest bearing liabilities rates. This performance was pressured by the increase in the cost of funding, as a result of the volatility and uncertainty shown by the financial markets, and by the narrowing of spreads from customer deposits, evidenced through the reduction of the Bank´s profitability in demand and term deposits, within a context of strong competition in terms of attracting customer funds, although this was attenuated by the revision of spreads in credit operations, so as to reflect the increase in the cost of the risk implicit in the loans granted, which has been implemented progressively in the diverse business areas, leading to an upturn in net interest income in the third and in the fourth quarters of 2009 over previous quarters. In addition, net interest income benefited from the positive volume-effect, supported by the increase in the business volumes, in particular from customer deposits and the loans granted to individuals and to small and medium enterprises.



The historical low levels showed by interest rates throughout 2009 had a relevant impact in the reduction of net interest income related with the capture of on balance sheet customer funds. This had a particular impact in the profitability of demand deposits - following the decrease of 194 b.p. (-316 b.p. in annual average) in the EONIA reference rate between the end of 2008 and 2009, and in the profitability of time deposits, which were pressured by the significant decrease of the market reference rates (3 months Euribor dropped 215 b.p. between Dec/08 and Dec/09 and 341 b.p. in annual average) and also by the strong competition to further increase customer funds.



In the activity in Portugal, net interest income benefited from the repricing of credit operations, aimed at adjusting the interest rates of loans granted to the implicit cost of risk and to the increase in the cost of funding in the markets, notwithstanding was influenced by the narrowing of spreads from customer deposits, evidenced through the reduction of the Bank´s profitability in demand and term deposits. The performance of net interest income in Portugal benefited from the increase in net interest income from Corporate and Investment Banking segment.



In the international activity, net interest income reflects the impact of the (i) unfavourable interest rate-effect, in particular in Bank Millennium in Poland, determined by the reduction of spreads in term deposits, partially attenuated by the repricing adjustment following the decline in market interest rates; and of the (ii) positive volume-effect, benefiting from the growth in the business volumes in most foreign subsidiaries, in both customer deposits, in particular in Millennium bank in Greece, and loans to customers.

An analysis of the average balance sheet shows a growth of average total net assets, from Euro 94,153 million in 2009 to Euro 91,941 million in 2008, sustained by the increase in interest earning assets, which was boosted by the average balance of loans to customers, which increased from Euro 69,206 million in 2008 to Euro 75,325 million in 2009. Total average liabilities also showed a growth between 2008 and 2009, benefiting from the increase in the average balance of customer deposits, reaching Euro 44,334 million in 2009 over Euro 41,769 million in the previous year. This evolution was supported by the increase in term deposits, which showed a rise of 8.8% in 2009, reflecting the initiatives implemented aimed to further increase and retain customer funds on the one hand, and, on the other, the customers' preference for financial applications with lower risk as a result of the instability and uncertainty in the financial markets.

Average balances — Euro million

	2009		2008		2007	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
Interest Earning Assets						
Deposits in credit institutions	3,733	1.97%	7,255	4.33%	7,881	4.17%
Financial assets	5,012	4.82%	5,845	6.01%	5,548	5.38%
Loans and advances to customers	75,325	4.15%	69,206	6.47%	60,247	6.07%
Total Interest Earning Assets	84,070	4.09%	82,306	6.24%	73,676	5.81%
Non interest earning assets	10,083		9,635		9,687	
Total Assets	94,153		91,941		83,363	
Interest Bearing Liabilities						
Amounts owed to credit institutions	8,671	2.65%	9,875	6.33%	10,912	5.07%
Amounts owed to customers	44,334	2.52%	41,769	3.07%	35,019	2.46%
Debt issued and financial liabilities	30,051	2.27%	29,042	4.72%	26,235	4.45%
Subordinated debt	2,553	3.73%	2,954	5.77%	2,880	5.63%
Total Interest Bearing Liabilities	85,609	2.48%	83,640	4.12%	75,046	3.66%
Non interest bearing liabilities	2,000		2,557		3,276	
Shareholders' equity and Minority interests	6,544		5,744		5,041	
Total liabilities, Shareholders' equity and Minority interests	94,153		91,941		83,363	
Net Interest Margin (1)		1.57%		2.06%		2.09%

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

Note: Interest related to hedge derivatives were allocated, in 2009, 2008 and 2007, to the respective balance item.

The structure of the average balance sheet confirms that customer loans continue to be the main component in the assets portfolio, representing 80.0% of total average net assets in 2009, recording an increase of 4.7 p.p. when compared with 75.3% in 2008. In line with this evolution, in total assets, there was also an increase in the proportion of customer deposits in the average total liabilities, rising from 48.5% in 2008 to 50.6% in 2009.

The increase in loans to customers was financed fundamentally by the growth in the volume of customer deposits, reflecting the focus on attracting customer funds, and by the issue of debt securities, through the placement of differentiated financial instruments adjusted to the markets framework, following the gradual improvement in the financial markets conditions regarding debt issue.

The average balance of debt issued and financial liabilities increased from Euro 29,042 million in 2008 to Euro 30,051 million in 2009, as a result of the successful placement of the debt issues made throughout 2009, notwithstanding the context of uncertainty and volatility of the financial and capital markets, in particular the fixed-rate debt issued (Euro Fixed Rate Notes), guaranteed by the Portuguese Republic, amounting to Euro 1.5 billion, the successful placement of two fixed-rate debt issue, without the State guarantee, in the sum of Euro 2.0 billion, the three floating-rate debt issues for the global amount of Euro 1.1 billion, under the Euro Medium Term Notes (EMTNs) program, and a covered bonds issue in the amount of Euro 1.0 billion, with a 7-years maturity.

The average shareholders' equity was positively influenced by the issue of a financial instrument, Perpetual Subordinated Debt Securities with Conditional Coupons, in the sum of Euro 1.0 billion, under the Bank's Debt Securities Issue Programme, of which Euro 300 million were issued in June 2009, Euro 600 million in August 2009 and Euro 100 million in December 2009. Additionally, the overall increase in the shareholders' equity between 2008 and 2009 was favourably affected by the positive net income generated in 2009 and, unfavourably, by the payment of dividends and by the evolution of the balances of fair value reserves associated to the financial assets available for sale.

The implicit interest rates in the average balances decreased in most asset and liability line items in 2009 over 2008, following the drop in market interest rates. The net interest margin stood at 1.57% in 2009, compared with 2.06% in 2008, reflecting a higher reduction in average interest earning asset rates than in average interest bearing liabilities rates.

Factors influencing net interest income Euro million

	2009 vs 2008			
	Volume	Rate	Rate / Volume mix	Net change
Interest earning assets				
Deposits in credit institutions	(155)	(174)	84	(245)
Financial assets	(51)	(70)	9	(112)
Loans and advances to customers	401	(1,626)	(156)	(1,381)
Total intererest earning assets	**112**	**(1,797)**	**(53)**	**(1,738)**
Interest Earning Liabilities				
Amounts owed to credit institutions	(77)	(369)	43	(403)
Amounts owed to customers	80	(232)	(18)	(170)
Debt issued and financial liabilities	48	(720)	(29)	(701)
Subordinated debt	(23)	(61)	7	(77)
Total intererest earning liabilities	**82**	**(1,391)**	**(42)**	**(1,351)**
Net interest income	**30**	**(406)**	**(11)**	**(387)**

Other Net Income

Other net income, which includes dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, increased to Euro 1,159.0 million in 2009, compared with Euro 881.0 million in 2008. The growth in other net income was supported by the performances shown in net trading income, in other operating income and in equity accounted earnings, which more than offset the lesser amounts from dividends from equity instruments and net commissions. The evolution of other net income was boosted by the performance achieved by the activity in Portugal.

Other net income Millions of euros

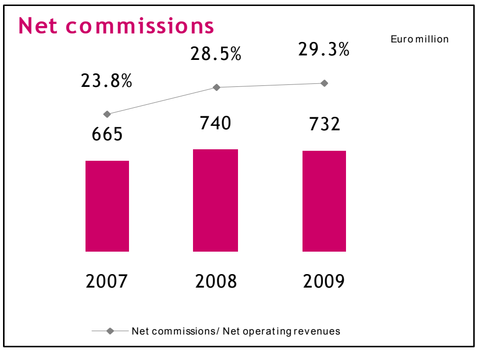
	2009	2008	2007	Chan. % 09/08
Dividends from equity instruments	3.3	36.8	27.9	-90.9%
Net commissions	731.7	740.4	664.6	-1.2%
Net trading income	225.4	18.1	392.3	-
Other net operating income	132.3	66.6	118.6	98.8%
Equity accounted earnings	66.3	19.1	51.2	247.3%
	1,159.0	881.0	1,254.6	31.6%
of which:				
Activity in Portugal	779.3	489.2	878.5	59.3%
International activity	379.7	391.8	376.1	-3.1%

Dividends from Equity Instruments

Dividends from equity instruments, which include dividends received from investments in financial assets available for sale, stood at Euro 3.3 million in 2009, compared with Euro 36.8 million in 2008. The income accounted in this heading resulted from dividends received related with investments made in investment fund units and in shares. The sale of the shareholding in the Banco BPI, S.A. at the beginning of 2009, together with the non-payment of dividends by Eureko in 2009, determined the evolution showed in this heading from 2008.

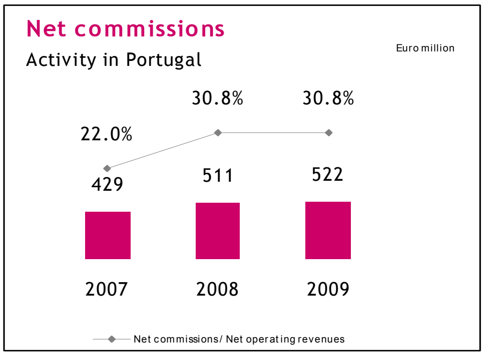
Net Commissions

Net commissions stood at Euro 731.7 million in 2009, from Euro 740.4 million in 2008. The increase in the aggregate of commissions more directly related with the banking business, partially, offset the performance of commissions more related with the financial markets, in particular commissions associated to the business of asset management and securities operations. The evolution in net commissions reflects the growth of 2.0% in the activity in Portugal and the lower net commissions from the international activity, fundamentally influenced by the lower contribution of the Bank Millennium in Poland, where the volume of net commissions generated was restrain by the foreign exchange effect of the Polish Zloty against the Euro. Notwithstanding this, there were positive growths in net commissions from the subsidiaries in Angola, Mozambique, Romania and Greece, reflecting the increase in the business volumes and in the services provided.



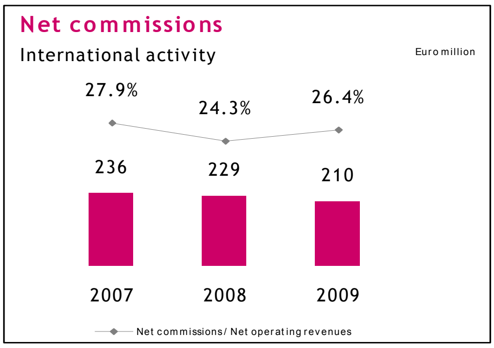
Commissions related with cards totalled Euro 187.3 million in 2009 (Euro 190.0 million in 2008), determined by the evolution in the international activity, in particular in Bank Millennium in Poland, hindered by the impact of the variation in foreign exchange of the Polish Zloty against the Euro, notwithstanding the higher levels of activity and the pricing adjustment performed during the year, as well as the favourable performances achieved by Banco Millennium Angola and by Millennium bim in Mozambique. Commissions with cards in the activity in Portugal, despite has been restrained by the stabilisation in the number of cards, by the lower billing volumes and by the unfavourable evolution in interchange fees, remained at the same level as the amount recorded in 2008, supported by the performance in the Retail Banking and Companies segment.

Commissions related with credit transactions and guarantees stood at Euro 170.4 million in 2009, compared with Euro 172.9 million in 2008. This evolution was determined by the international activity, reflecting the lower commissions generated by Bank Millennium in Poland, notwithstanding the favourable performance achieved by the other international operations, in particular by the subsidiaries in Greece, in Angola and in Romania. In addition, commissions related with credit transactions and guarantees benefited from the 1.3% increase in the activity in Portugal, particularly in the Corporate and Investment Banking segment.



Other commissions increased to Euro 249.9 million in 2009, compared with Euro 204.9 million in 2008. In the second quarter of 2008, started to be registered under other commissions the fees received by the sale of insurance products through the Bank's distribution network, which previously entered under other net operating income. Other net commissions benefited from the favourable evolution both in the activity in Portugal, which includes the impact of the repricing performed in 2009, in particular in terms of the offer of integrated services and account maintenance, and in the international activity, particularly the performance shown by Bank Millennium in Poland.

Commissions associated to transactions on securities amounted to Euro 76.2 million in 2009, compared with Euro 94.7 million in 2008, reflecting the performance of commissions related with most of the services provided, in particular brokerage transactions, deposits and safeguard of assets and structuring of operations, reflecting the environment of uncertainty and volatility of the financial and capital markets. The evolution of these commissions was fundamentally influenced by the activity developed in Portugal, while the performance in the international activity was hindered by the foreign exchange effect of the Polish Zloty against the Euro, notwithstanding the greater volume of commissions, posted in local currency, by the Bank Millennium in Poland.



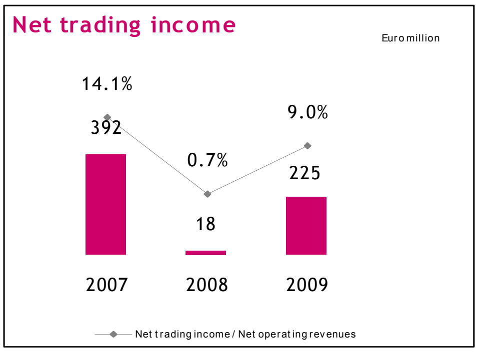
Commissions related with asset management totalled Euro 47.9 million in 2009, compared with Euro 77.9 million in 2008, influenced by both the activity in Portugal and the international activity. This performance was fundamentally restrained by the instability of the financial and capital markets, impacting on the lower average volumes under management, and by customers' investment options for products and solutions with less exposure to those markets, notwithstanding the signs of growing dynamism in the stock markets throughout 2009.

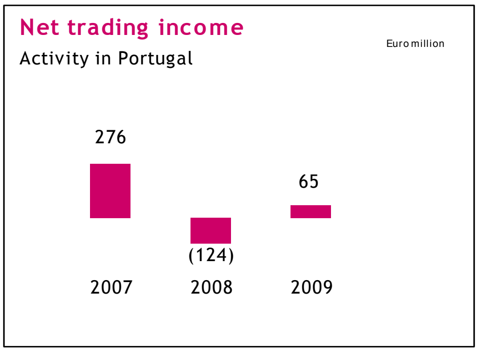
Net commissions — Euro million

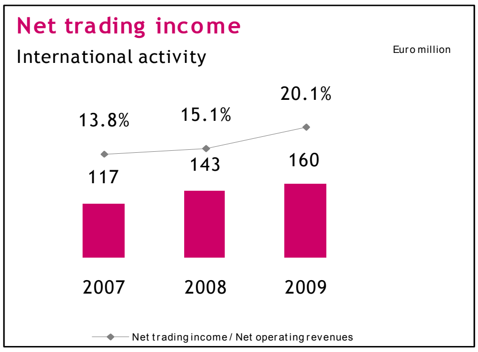
	2009	2008	2007	Chan. % 09/08
Banking commissions				
Cards	187.3	190.0	166.4	-1.4%
Credit and guarantees	170.4	172.9	169.2	-1.5%
Other commissions	249.9	204.9	68.6	22.0%
Subtotal	607.6	567.8	404.2	7.0%
Market related commissions				
Securities	76.2	94.7	127.5	-19.5%
Asset management	47.9	77.9	132.9	-38.5%
Subtotal	124.1	172.6	260.4	-28.1%
Total net commissions	731.7	740.4	664.6	-1.2%
of which:				
Activity in Portugal	521.8	511.4	428.8	2.0%
International activity	209.9	229.0	235.8	-8.3%

Net Trading Income

Net trading income, which includes net gains arising from trading and hedging activities and net gains arising from available for sale financial assets, amounted to Euro 225.4 million in 2009, an improvement over the Euro 18.1 million recorded in 2008, determined by the performance of the activity in Portugal.







In 2008, net trading income included the impact of the accounting of impairment losses amounting to Euro 268.1 million, related with the shareholding in Banco BPI, S.A., which has since been sold, and included, in the fourth quarter, the income related with the economic hedging strategy for the interest-rate risk associated with a fixed-rate issue undertaken by the Bank through an interest-rate swap, which under IAS 39 the Bank decided to prospectively interrupt the hedge relation.

Net trading income included, in 2009, the negative effect of Euro 106.1 million, of which Euro 91.6 million was accounted in the second half of the year, associated to the valuation of financial instruments recorded at fair value option, arising from the gradual improvement of financing conditions in the market and the consequent improvement of the Bank's own credit risk. In 2008, the effect of these changes in fair value associated to the change of the Bank's own credit risk was positive by Euro 88.3 million, reflecting the deterioration of the credit market conditions at that time.

In 2009, net trading income benefited, in addition, from the impact of the historically low levels of market interest rates observed in this year, in particular in results from hedge instruments and derivatives.

Net trading income				Millions of euros
	2009	2008	2007	Chan. % 09/08
Foreign exchange activity	68.8	83.8	163.6	-17.9%
Trading and other	156.6	(65.7)	228.7	-
	225.4	18.1	392.3	-
of which:				
Activity in Portugal	65.0	(124.4)	275.6	-
International activity	160.4	142.5	116.7	12.5%

Other Net Operating Income

Other net operating income, which includes other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets, totalled Euro 132.3 million in 2009, compared with Euro 66.6 million in 2008.

The increase in other net operating income benefited from the increase in income together with the reduction in the costs component, reflecting the evolution of other net operating income recorded in Portugal, which includes, in 2009, the amount of Euro 21.2 million associated to the gain on the dispersal of 49.9% of the share capital of Banco Millennium Angola and the amount of Euro 57.2 million related with the gains from the sale of assets.

The evolution of other net operating income in 2009 also reflects the impact of the change in the accounting of fees associated to the bancassurance activity, received from Millenniumbcp Fortis, which, as from the second quarter of 2008, are recorded under net commissions.

Equity Accounted Earnings

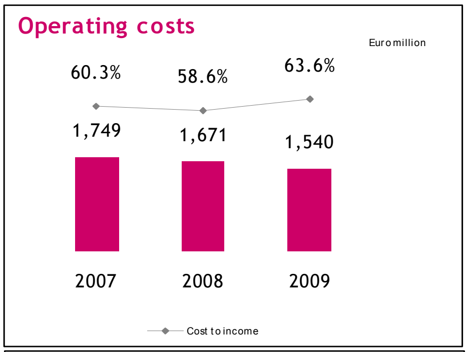
Equity accounted earnings, which include the results appropriated by the Group associated to the consolidation of those companies over which the Group has significant influence, though without exercising control over their financial and operational policies, amounted to Euro 66.3 million in 2009, compared with Euro 19.1 million in 2008.

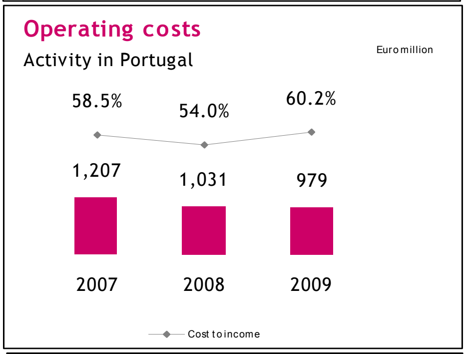
This evolution of equity accounted earnings was fundamentally influenced by the appropriation of results from the 49% shareholding in Millenniumbcp Fortis, a joint-venture between Millennium bcp and the Fortis' Group focused on the bancassurance business, which net income in 2009 was higher than the amount posted in the previous year, benefiting from the growth in insurance premium volumes in life and non-life businesses, which compare favourably with the overall Portuguese market.

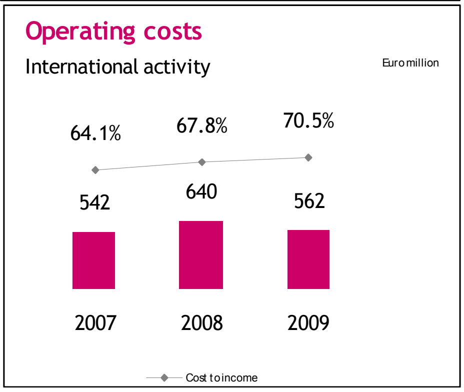
Equity accounted earnings and income				Millions of euros
	2009	2008	2007	Chan. % 09/08
Millenniumbcp Fortis	57.9	12.6	42.4	360.6%
Other	8.4	6.5	8.8	29.0%
	66.3	19.1	51.2	247.3%

Operating Costs

Operating costs, which include staff costs, other administrative costs and depreciation charges for the year, reduced by 7.8% to Euro 1,540.3 million in 2009, compared with Euro 1,670.8 million recorded in 2008. This favourable performance was influenced by the reduction of costs achieved in all line items, in particular in staff costs and in other administrative costs. Operating costs include, in 2009, the accounting of earlier retirement costs, in the amount to Euro 3.9 million, and, in 2008, the cancellation of part of the variable remuneration accrued in 2007,







amounting to Euro 18.0 million, and restructuring costs of Euro 7.8 million. Excluding these impacts, operating costs reduced by 8.6%, between 2008 and 2009.

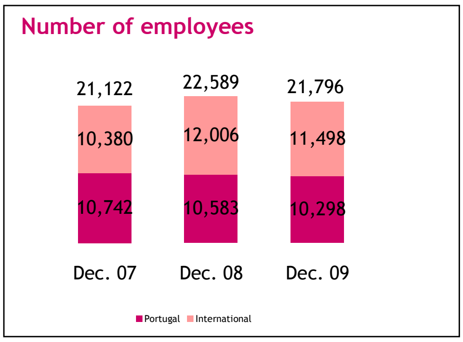
The reduction in operating costs benefited from the savings achieved by both the activity in Portugal and the international activity. In the activity in Portugal, the 5.1% drop in operating costs was supported by the reductions in other administrative costs and in depreciation, reflecting the implementation of initiatives to simplify the organisational structure and to optimise processes, focused on achieving superior levels of efficiency. Excluding the impacts mentioned in the previous paragraph, in 2009 the operating costs of the activity in Portugal fell by 6.4% from the previous year.

In the international activity, the decrease of 12.2% in operating costs benefited essentially from the performance of the Bank Millennium in Poland, which besides the foreign exchange effect of the Polish Zloty against the Euro, was favourably influenced by the efforts implemented to rationalise structures and processes, with an impact in the reduction of 11.4% in the number of employees in this operation. The lower operating costs recorded by Bank Millennium in Poland more than offset the evolution in operating costs in Banco Millennium Angola and in Millennium bim in Mozambique as a result of the strategy of organic growth implemented in these markets.

In 2009, the consolidated cost to income ratio, on a comparable basis, stood at 63.6%, compared with 58.6% in 2008, while for the activity in Portugal, the cost to income ratio stood at 60.2%, from 54.0% in 2008.

Staff Costs

Staff costs amounted to Euro 865.3 million in 2009, recording a reduction of 5.5% from Euro 915.3 million posted in 2008. Staff costs include, in 2009, the accounting of earlier retirement costs amounting to Euro 3.9 million, and, in 2008, the cancellation of part of the variable remuneration accrued in 2007, amounting to Euro 18.0 million, and the restructuring costs of Euro 7.8 million. Excluding these impacts, staff costs reduced by 6.9%.



The evolution of staff costs reflects the reduction in costs in most line items, in particular in remuneration to employees and to corporate boards, notwithstanding the growth in pension costs. Staff costs benefited from the cost control achieved in the activity in Portugal, and, fundamentally, from the lower costs recorded in the international activity.

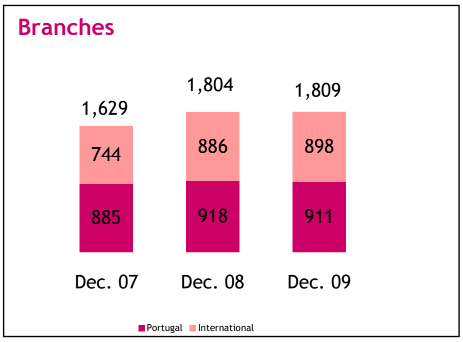
In the activity in Portugal, staff costs stood at Euro 604.3 million (Euro 592.7 million in 2008). On a comparable basis, the evolution in staff costs shows a reduction in costs with remunerations, in opposition to the increase in pension costs, recording a global reduction of 0.4%.

In addition, staff costs in the activity in Portugal benefited from the simultaneous reduction in the number of employees, by a total of 285 employees between 31 December 2008 and 2009, reflecting the partial replacement of voluntary exits of employees. At the same time, in 2009, were carried out measures focused on efficient allocation of resources, in particular through the Commercial Skills Development Programme, designed to encourage the transfer of employees from central services and corporate areas to the commercial networks, aiming to improve employees' levels of motivation and to obtain gains in productivity, as well as to provide greater support to customers and strengthening commercial relations. In 2009, the lower amount of variable remuneration and the reduction in the average number of employees offset the effect of the annual increase in salaries and higher pension costs.

The 19.1% reduction in staff costs in the international activity was essentially due to the Bank Millennium in Poland, supported by the reduction in the number of employees, and, to a lesser extent, due to the Millennium bank in Greece and the Millennium bcpbank in the United States of America, while the increase in staff costs in the subsidiaries in Angola and Mozambique were determined by the expansion plans implemented in these countries and the consequent increase in the number of employees.

Other Administrative Costs

Other administrative costs reduced by 11.3% to Euro 570.2 million in 2009, compared with Euro 642.6 million posted in 2008, benefiting from the savings achieved in most line items, in particular with regard to specialised services, advertising, consumables, maintenance and repairs, travel and representation expenses and costs with independent work, notwithstanding the extension of the distribution network to a total of 1,809 branches at the end of 2009.



The reduction in other administrative costs was favourably influenced both by the activity in Portugal and by international activity, reflecting the continuing drive at costs contention and control, supported by the implementation of initiatives to simplify the organisational structure and to streamline processes in diverse operations of the Group.

In the activity in Portugal, other administrative costs reduced by 15.5% to Euro 314.3 million in 2009, driven by the savings shown in most line items, in particular in specialised services, independent work, travel and representation costs, advertising and consumables, reflecting the impact of the initiatives to reduce costs which have been implemented, and, to a lesser degree, the reduction in the number of branches to a total of 911 at the end of 2009.

The evolution of other administrative costs in the international activity was essentially determined by Bank Millennium in Poland, favourably influenced by the revision of the expansion plan and the consequent adjustment of the cost structure to the business activity levels and by the foreign exchange effect of the Polish Zloty against the Euro, which more than offset the increases recorded in the subsidiaries in Angola, in Mozambique and in Romania, in line with the strategy of organic growth implemented in these countries.

With regard to the mentioned strategy focussing on specific markets, there was an increase in the international branch network to a total of 898 branches at the end of 2009 (+12 from the end of December 2008), sustained by the expansion of the distribution network in the operations developed in Romania, with a further 9 branches, in Mozambique and in Angola, with further 16 and 7 more branches, respectively, partially mitigated by a smaller number of branches in Poland (-18).

In the international activity, between 2008 and 2009, the more important savings achieved in the aggregate of other administrative costs were centred on the line items of advertising and of maintenance and repairs, which were partially offset by costs with specialised services and with rentals, reflecting the adjustment of the cost structure of operations to the business volumes and to the business models in each market.

Depreciation Charges for the Year

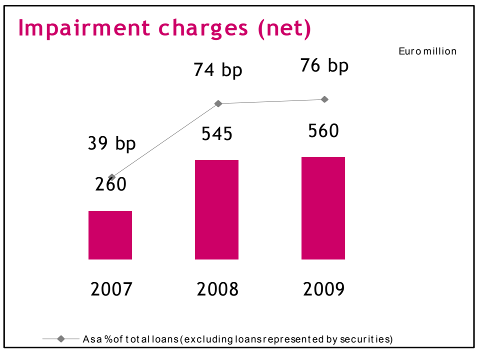
Depreciation charges for the year amounted to Euro 104.8 million in 2009, showing a reduction of 7.2% over the Euro 112.9 million posted in 2008, influenced mainly by the activity in Portugal, but also by the international activity, notwithstanding the expansion plans carried out, in particular in Angola and in Mozambique, reflecting, simultaneously, the effect of the foreign exchange devaluation against the Euro shown by some international operations. Depreciation charges for the year in Portugal, which represent 57.3% of the total consolidated depreciation, reduced by 9.9%, determined by the lower level of depreciation in most line items, in particular in depreciation related with real estate, as a result of the progressive end of the period of depreciation of investments, and of the impact of the sale of assets.

Operating costs Euro million

	2009	2008	2007	Chan. % 09/08
Activity in Portugal				
Staff costs	604.3	592.7	734.7	2.0%
Other administrative costs	314.3	371.8	403.0	-15.5%
Depreciation	60.1	66.6	68.9	-9.9%
	978.7	1,031.1	1,206.6	-5.1%
International activity				
Staff costs	261.0	322.6	271.5	-19.1%
Other administrative costs	255.9	270.8	224.5	-5.5%
Depreciation	44.7	46.3	46.0	-3.3%
	561.6	639.7	542.0	-12.2%
Total				
Staff costs	865.3	915.3	1,006.2	-5.5%
Other administrative costs	570.2	642.6	627.5	-11.3%
Depreciation	104.8	112.9	114.9	-7.2%
	1,540.3	1,670.8	1,748.6	-7.8%

Credit Impairment Charges and Credit Recoveries

Credit impairment charges (net of recoveries) totalled Euro 560.0 million in 2009, compared with Euro 544.7 million in 2008, still reflecting the difficulties of the economic cycle. Nevertheless, in 2009 credit impairment charges registered a lower level from 2008, although were followed by a higher reduction in the volume of credit recoveries. The cost of risk, measured as the proportion between the credit impairment charges (net of recoveries) and the total loan portfolio, excluding loans represented by securities, stood at 76 basis points in 2009, compared to the 74 basis points recorded in 2008.



Credit impairment charges amounted to Euro 593.4 million in 2009, compared with Euro 637.5 million in 2008. This evolution was fundamentally influenced by the reduction in the activity in Portugal, reflecting the improvement in the revaluation of financial collaterals, following on the gradual normalization of conditions in the financial markets, and the impact of the efforts that has been implemented in the area of risk prevention and management. Notwithstanding, in most international operations, in particular in Bank Millennium in Poland, credit impairment charges for loans to companies and consumer credit were reinforced, reflecting, on the one hand, the deterioration of the financial situation in some companies and the decrease in the value of collaterals associated with consumer credit, and on the other hand, the simultaneous assessment of the loan portfolio, in particular restructured loans related to foreign derivatives transactions, aimed at covering further potential deterioration in the loans portfolio.

Credit impairment charges (net of recoveries) Euro million

	2009	2008	2007	Chan. % 09/08
Credit impairment charges	593.4	637.5	407.2	-6.9%
Credit recoveries	33.4	92.8	147.0	-64.0%
	560.0	544.7	260.2	2.8%
Cost of risk (*):				
Impairment charges as a % of total loans	80 b.p.	86 b.p.	61 b.p.	-6 b.p.
Impairment charges (net) as a % of total loans	76 b.p.	74 b.p.	39 b.p.	2 b.p.

(*) Excludes loans represented by securities.

Other Provisions

Other provisions include charges on other assets impairment and on other provisions, in particular impairment charges related with assets received as payment in kind not fully covered by guarantees, and the provisioning for other risks and liabilities.

Other provisions amounted to Euro 97.4 million in 2009, compared with Euro 44.5 million in 2008, mostly reflecting the higher level of charges accounted in the activity in Portugal, in particular, charges related with impairment losses associated to real estate received as a result of the termination of loan contracts with customers, which subsequent to the regular revaluation process, posted reductions of their market value, together with the increase in provision charges for diverse contingencies.

Income Tax

Income tax amounted to Euro 46.2 million in 2009, compared with Euro 84.0 million in 2008, and corresponds to a real tax rate of 15.6% (24.6% in 2008).

This tax includes current tax costs amounting to Euro 65.6 million, net of income from deferred tax in the amount of Euro 19.4 million.

Income from deferred tax in 2009 fundamentally corresponds to the creation of active deferred tax associated to provisions, in particular for credit, and to the recognition of reportable tax losses, net of the reduction in the active deferred tax relating to charges with pensions, the fiscal recognition of which took place during the year.

The reduction in the real tax rate by 9 p.p., from 24.6% in 2008 to 15.6% in 2009, was fundamentally due to the increase in results of the companies consolidated by the equity method and of the gains from the sale of shareholdings.

Minority Interests

Minority interests include the part attributable to third parties of the results of the consolidated companies not fully owned by the Group. The minority interests accounted in 2008 resulted essentially from the shareholdings held by the Group in the share capital of the Bank Millennium in Poland and of the Millennium bim in Mozambique, while in 2009, minority interests related with the Banco Millennium Angola were also included, after the dispersal of 49.9% of the share capital of this associated company in the first quarter of 2009.

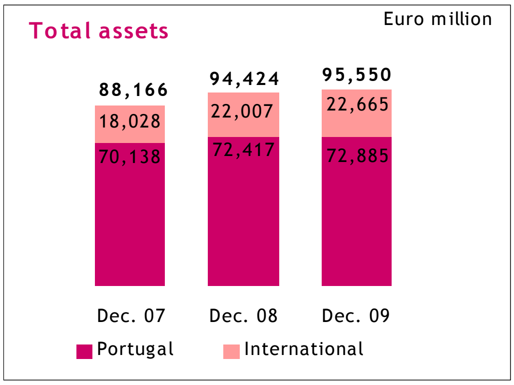
Minority interests totalled Euro 24.1 million in 2009, compared with Euro 56.8 million in 2008. This evolution was mainly influenced by the performance of net income from Bank Millennium in Poland, notwithstanding the increase in minority interests associated with the dispersal of the share capital of Banco Millennium Angola and the relative stability of net income from Millennium bim in Mozambique, compared with the previous year.

Review of the Balance Sheet

Total assets amounted to Euro 95,550 million on 31 December 2009, compared with Euro 94,424 million on 31 December 2008.

The growth of assets was essentially determined by the joint increase of financial assets available for sale and of financial assets held for trading by 7.8%, (+ Euro 439 million), with special mention for the increase in the portfolio of bonds of other national issuers, and by the financial assets held to maturity (+ Euro 926 million), reflecting the acquisition of securities eligible for collateral in possible refinancing operations with Central Banks. Net loans and advances to customers represents about 79% of total assets and practically stabilised in relation to the end of 2008, rising to Euro 75,191 million on 31 December 2009.

The behaviour of total assets was also influenced by the lower volume (-14.9%) of loans and advances to credit institutions, namely of placements by the Group in credit institutions in Portugal, a reflection of the conditioning factors of the markets and of the adoption by the Group of prudential criteria and flexibility of action in its management of liquidity.



Liabilities stabilised compared with the end of the previous year, reaching Euro 88,330 million on 31 December 2009 (Euro 88,176 million on 31 December 2008), with, nevertheless, particular note for the increase in customers' deposits by 3.1% (+ Euro 1.400 million) over the end of 2008, especially of term deposits, and the increase in the deposits of central banks and other credit institutions of 10.3% (+ Euro 967 million), as opposed to the reduction in financial liabilities held for trading and of debt securities issued of 49.9% and 2.7%, respectively, and, to a lesser degree, of subordinate debt.

The total equity was reinforced from Euro 6,248 million at the end of 2008 to Euro 7,220 million on 31 December 2009 (+ Euro 972 million), benefiting essentially from the issue of perpetual subordinated debt securities with conditioned coupons amounting to Euro 1,000 million and from the positive net income in 2009. The evolution of the total equity reduced, in this same period, due to the distribution of profit and to the payment of dividends on preference shares, amounting to Euro 79 million and Euro 49 million, respectively, to foreign exchange differences associated to the consolidation of Group companies and to the negative variation in fair value reserves, amounting to Euro 121 million, associated to the portfolio of financial assets available for sale, essentially related with the revaluation of the shareholding held in Eureko, B.V., performed in 2009.

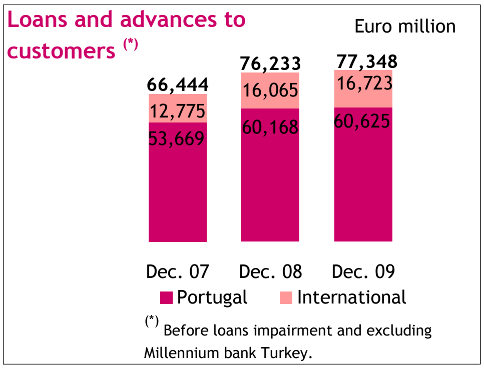
Balance sheet at 31 December				Euro million
	2009	2008	2007	Chan. % 09/08
Assets				
Cash and deposits at central banks and loans and advances to credit institutions	5,110	6,005	9,261	-14.9%
Loans and advances to customers	75,191	75,165	65,650	0.0%
Financial assets held for trading	3,357	3,903	3,085	-14.0%
Financial assets held for sale	2,699	1,714	4,419	57.4%
Financial assets held to maturity	2,027	1,102	-	84.0%
Investments in associated companies	439	344	316	27.6%
Non current assets held for sale	1,343	826	24	62.6%
Other tangible assets, goodwill and intangible assets	1,181	1,286	1,236	-8.2%
Current and deferred tax assets	609	605	681	0.7%
Other assets	3,594	3,474	3,494	3.5%
Total Assets	**95,550**	**94,424**	**88,166**	1.2%
Liabilities				
Deposits from central banks and from other credit institutions	10,306	9,339	9,432	10.3%
Deposits from customers	46,307	44,907	39,247	3.1%
Debt securities issued	19,953	20,516	26,798	-2.7%
Financial liabilities held for trading	1,072	2,139	1,304	-49.9%
Other financial liabilities at fair value through profit and loss	6,346	6,714	1,755	-5.5%
Non current liabilities held for sale	436	-	-	-
Subordinated debt	2,232	2,599	2,925	-14.1%
Other liabilities	1,678	1,962	1,805	-14.5%
Total Liabilities	**88,330**	**88,176**	**83,266**	0.2%
Equity				
Share capital	4,695	4,695	3,611	-
Treasury stock	-86	-59	-58	-
Share premium	192	183	882	4.8%
Preference shares	1,000	1,000	1,000	-
Other capital instruments	1,000	-	-	-
Reserves and retained earnings	-150	-60	-1,380	-
Profit for the year attibutable to shareholders	225	201	563	11.9%
Total equity attributable to shareholders of the bank	**6,876**	**5,960**	**4,618**	15.4%
Minority interests	344	288	282	19.7%
Total Equity	**7,220**	**6,248**	**4,900**	15.6%
Total Liabilities and Equity	**95,550**	**94,424**	**88,166**	1.2%

Loans and Advances to Customers

In 2009 the Millennium bcp continued to support customers with financing needs within a framework of prudent management of risk and pricing, through an offer of value adapted to the different customer risk profiles and adapted to the specific conditions of the different local markets in which each of the subsidiaries operate, aiming to extend the business base and to preserve the quality of the assets in the portfolio.

Loans and advances to customers, on a comparable basis, totalled Euro 77,348 million on 31 December 2009, showing a growth of 1.5% compared to Euro 76,233 million on 31 December 2008, benefiting from the performance in Portugal (+0.8%) and, above all, from international activity (+4.1%), in particular from the subsidiaries in Greece, Mozambique and Poland.

The slowdown in customer loans granted in 2009, compared with that of previous years, reflects the impact of the financial crisis on the investment decisions of the economic agents, the reduction in the companies leverage level and the putting off of consumer spending by families, notwithstanding the accentuated drop in interest rates. In fact, although credit granted to individual customers increased in 2009, it was attenuated by the weaker consumption of durable goods, which was similar to the situation for loans to companies, the slowdown of which mainly affected the sectors which are more sensitive to cyclical fluctuations, such as construction, processing industries and commerce.



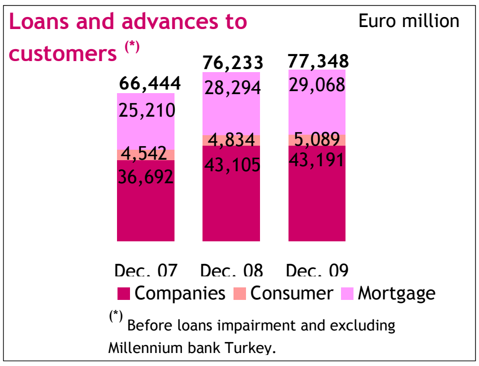
Loans and advances to customers (*) Euro million

	2009	2008	2007	Chan. % 09/08
Individuals				
Mortgage loans	29,068	28,294	25,210	2.7%
Consumer credit	5,089	4,834	4,542	5.3%
	34,157	**33,128**	**29,752**	3.1%
Companies				
Services	16,579	15,175	11,841	9.3%
Commerce	5,230	5,399	5,083	-3.1%
Other	21,382	22,531	19,768	-5.1%
	43,191	**43,105**	**36,692**	0.2%
Loans and advances to customers	**77,348**	**76,233**	**66,444**	1.5%
Loans associated with assets in the process of sale (1)	-	412	429	
Total	**77,348**	**76,645**	**66,873**	

(*) Before loans impairment.
(1) Millennium bank Turkey.

The structure of the consolidated credit portfolio remained stable between 31 December 2008 and 31 December 2009, with loans to companies forming the main component of credit granted to customers, representing 55.8% of the loan portfolio, while loans to individuals represented 44.2% of the total credit.

The evolution of customer loans was determined by the 3.1% growth in loans to private individuals to Euro 34,157 million on 31 December 2009 (Euro 33,128 million at the end of 2008), namely from mortgages with a rise of 2.7% to Euro 29,068 million on 31 December 2009.



The performance of mortgages benefited mostly from the contribution of the activity in Portugal, which grew by 3.0% in 2009, supported by the historically low levels of market interest rates, in spite of the slowdown in demand for mortgages by families. International activity saw a rise of 2.0% in mortgages over 31 December 2008, with a special note for the Millennium bank in Greece.

Consumer credit grew by 5.3%, reaching Euro 5,089 million on 31 December 2009, continuing to represent a small share of the loan portfolio (6.6% of the total). This growth was supported by business in Portugal, which saw an increase of 4.7%, and by international activity which increased by 6.4%, namely through the Bank Millennium in Poland and the Millennium bim in Mozambique.

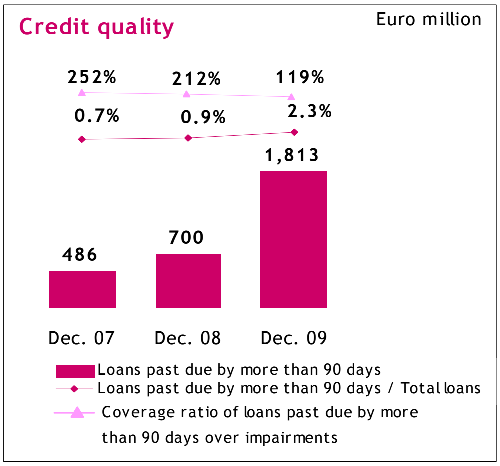
Loans to companies, the main component of the loan portfolio, amounted to Euro 43,191 million on 31 December 2009, compared with Euro 43,105 million at the end of 2008, having been conditioned by the adverse economic environment and by the drop in private investment. This performance was essentially determined by international activity, which recorded an increase of 5.7%, namely by the Millennium bank in Greece and by the Millennium bim in Mozambique. Loans to companies in Portugal remained at the same level, reflecting the lower exposure to Corporate companies and, simultaneously, the reinforcement in financing Small and Medium Enterprises (PME), through the growing support to entrepreneurship, in particular by the credit lines "PME Investe" available in the Bank's commercial networks.

Loans and advances to customers (*) — Euro million

	2009	2008	2007	Chan. % 09/08
Mortgage loans				
Activity in Portugal	21,518	20,893	19,859	3.0%
International activity	7,550	7,401	5,351	2.0%
	29,068	**28,294**	**25,210**	2.7%
Consumer credit				
Activity in Portugal	3,305	3,157	3,157	4.7%
International activity	1,784	1,677	1,385	6.4%
	5,089	**4,834**	**4,542**	5.3%
Companies				
Activity in Portugal	35,802	36,118	30,653	-0.9%
International activity	7,389	6,987	6,039	5.7%
	43,191	**43,105**	**36,692**	0.2%
Loans and advances to customers				
Activity in Portugal	60,625	60,168	53,669	0.8%
International activity	16,723	16,065	12,775	4.1%
	77,348	**76,233**	**66,444**	1.5%
Loans associated with assets in the process of sale (1)	-	412	429	
Total	**77,348**	**76,645**	**66,873**	

(*) Before loans impairment.
(1) Millennium bank Turkey.

The quality of the credit portfolio, measured by the non-performing loans indicators, namely by the proportion of past due loans by more than 90 days as a percentage of total credit, was within the expected parameters for the adverse economic-financial context, settling at 2.3% on 31 December 2009, also reflecting the effect of the reclassification and accounting in the balance sheet of the fully provisioned past due loans which were written off from assets and which showed some probability of recovery, amounting to Euro 241.1 million, following Circular 15/2009 from the Bank of Portugal.



Past due loans by more than 90 days totalled Euro 1,813 million on 31 December 2009, compared to Euro 700 million on 31 December 2008, determined by the deterioration in economic conditions of individual customers and of the corporate sector and, in addition, by the mentioned reclassification of past due loans which were written off from assets and which showed some probability of recovery. This behaviour of the Group's past due portfolio accompanied the trend observed in the markets in general, especially affecting the activity in Portugal and of the Bank Millennium in Poland.

The coverage ratio of past due loans by more than 90 days over impairment was 119.0% on 31 December 2009, compared with 211.6% on the same date in 2008.

Non-performing loans determined in accordance with the Bank of Portugal definition, which includes past due loans by more than 90 days and also doubtful debt, accounted for 3.4% of total loans and advances to customers as at 31 December 2009, compared to 1.3% on the same date in 2008.

Credit quality Euro million

	2009	2008	2007	Chan. % 09/08
Loans and advances to customers (*) (1)	77,348	76,233	66,444	1.5%
Past due loans (>90 days)	1,813	700	486	159.1%
Past due loans	2,032	851	555	138.8%
Past due loans (>90 days) + doubtful loans (2)	2,616	1,005	692	160.3%
Impairments (balance sheet) (1)	2,157	1,477	1,222	46.0%
Past due loans (>90 days) / Loans and advances to customers (*)	2.3%	0.9%	0.7%	
Past due loans / Loans and advances to customers (*)	2.6%	1.1%	0.8%	
Past due loans (>90 days) + doubtful loans as a % of total loans (*) (2)	3.4%	1.3%	1.0%	
Coverage ratio (> 90 days)	119.0%	211.6%	251.8%	
Coverage ratio (past due loans)	106.1%	173.9%	220.4%	
Coverage ratio (Past due loans (>90 days) + doubtful loans) (2)	82.4%	147.3%	176.5%	

(*) Before loans impairment.

(1) For comparability purposes, in 2008 and 2007 excludes loans associated with assets held for sale - Millennium bank Turkey.

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

Past due loans and impairments as at 31 December 2009				Euro million
	Past due loans	Impairment for loan losses	Past due loans/total loans	Coverage ratio
Individuals				
Mortgage loans	145	160	0.5%	110.0%
Consumer credit	353	317	6.9%	89.8%
	498	**477**	1.5%	95.7%
Companies				
Services	476	454	2.9%	95.5%
Commerce	350	357	6.7%	102.1%
Construction	287	193	5.2%	67.4%
Other international activities	24	246	0.5%	1011.2%
Other	397	430	3.7%	108.2%
	1,534	**1,680**	3.6%	109.6%
Total	**2,032**	**2,157**	2.6%	106.1%

The larger volume of past due loans in 2009 affected most sectors of activity. However, it was consumer credit and loans to the construction and commerce sectors which showed higher levels in terms of non-performance, assessed by the ratio of past due loans in proportion to total loans.

On 31 December 2009, past due loans to companies represented 75.5% of the total past due loans portfolio, with the greatest concentration being in the services, commerce and construction sectors. The ratio of past due loans to companies as a percentage of total loans granted to companies was 3.6%, reflecting an unfavourable evolution over the corresponding ratio of 1.3% at the end of 2008.

In terms of loans to individuals, past due consumer loans represented 17.4% of the total past due loans, while past due mortgage loans represented 7.1% of the total past due loans, continuing to reflect the good risk profile of the portfolio, with the ratio of past due mortgage loans to total mortgage loans standing at 0.5% on 31 December 2009, which compares with 0.4% at the end of the previous year.

Customers' Funds

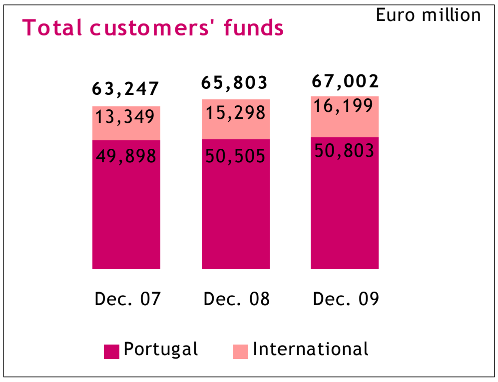
The Millennium bcp, within the context of its strategy to attract new customers and of growth of customers' funds, continued to invest in the development and improvement of the innovative offer of products, aiming to improve its attraction and retention of customers' deposits in order to moderate the taking of funds on the wholesale funding markets and to reinforce the proportion of customers' deposits in the structure of customers funds captured. During 2009 were launched diverse savings and investment products and solutions providing attractive returns, adapted to the different customer risk profiles and to the maturity of the investments.

Total customers' funds, on a comparable basis, rose by 1.8%, reaching Euro 67,002 million on 31 December 2009, compared with Euro 65,803 million on the same date in 2008, influenced by the growth of 3.9% in customers' deposits and of 15.2% in capitalisation insurance, partially neutralised by the decrease of 30.8% in debt securities owed to customers.

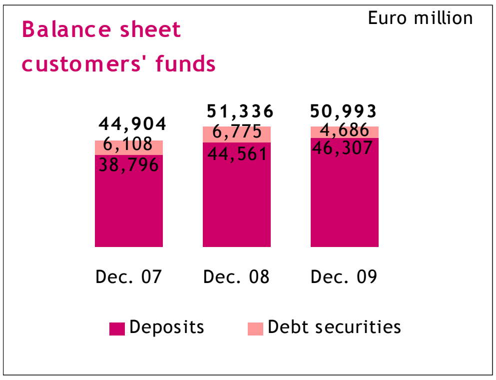
Total customers' funds				Euro million
	2009	2008	2007	Chan. % 09/08
Balance sheet customers' funds				
Deposits	46,307	44,561	38,796	3.9%
Debt securities	4,686	6,775	6,108	-30.8%
	50,993	**51,336**	**44,904**	-0.7%
Off balance sheet customers' funds				
Assets under management	4,887	4,812	8,789	1.6%
Capitalisation insurance	11,122	9,655	9,554	15.2%
	16,009	**14,467**	**18,343**	10.7%
Total customers' funds	**67,002**	**65,803**	**63,247**	1.8%
Customers' funds associated with assets in the process of sale (1)	-	461	706	
Total	**67,002**	**66,264**	**63,953**	

(1) Millennium bank Turkey.

In Portugal, total customers' funds showed an increase of 0.6%, standing at Euro 50,803 million on 31 December 2009, essentially supported by the growth shown by the Corporate and Investment Banking (18.5%) and the Retail and Companies (6.0%) segments. In international activity, total funds recorded an increase of 5.9%, reaching Euro 16,199 million at the end of 2009, with special note for the performances of the Bank Millennium in Poland and of the Millennium bank in Greece.



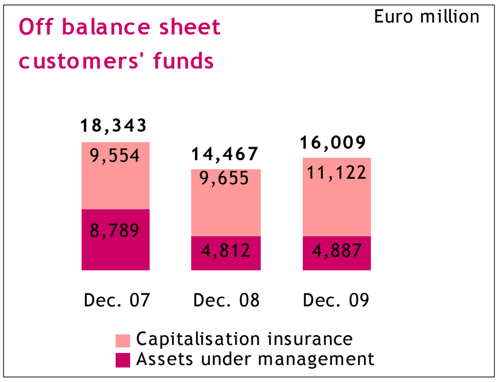
Balance sheet customers' funds totalled Euro 50,993 million on 31 December 2009 (Euro 51,336 million at the end of 2008), reflecting the decrease of debt securities owed to customers, as customers' deposits rose 3.9%. The instability in the financial markets and the diversified offer of savings products adapted to the needs of the customers continued to determine their preference for financial placements subject to less risk, namely for traditional term deposits.



The evolution of customers' deposits, from Euro 44,561 million on 31 December 2008 to Euro 46,307 million on the same date in 2009 (+3.9%), was supported both by the activity in Portugal and by the international activity, with deposits growing by 4.1% and 3.5%, respectively, with special mention for the performances of the Retail and Companies segment in Portugal and of the subsidiaries in Greece, Romania and Poland.

Debt securities owed to customers amounted to Euro 4,686 million at the end of 2009, compared to Euro 6,775 million on 31 December 2008, reflecting the weaker propensity of customers for medium and long term savings solutions and the option for more conservative investment strategies, within a context of volatility in the financial markets.

Off balance sheet customers' funds stood at Euro 16,009 million on 31 December 2009, presenting an increase of 10.7% in relation to the Euro 14,467 million recorded on the same date in 2008. The performance of off balance sheet customers' funds was decisive for the increase in total customers' funds, with highlight for the 15.2% increase in capitalisation insurance, together with assets under management which reversed their downwards trend of previous years, recording an increase of 1.6% over 31 December 2008, reflecting the signs of an upturn in investor confidence and growing dynamism on the stock capital markets.



Assets under management totalled Euro 4,887 million at the end of 2009 (Euro 4,812 million at the end of 2008), supported by international activity, with special mention for the Bank Millennium in Poland, where performance also reflected the effect of the variation in foreign exchange of the Polish Zloty against the Euro, and of the Millennium bank in Greece.

Capitalisation insurance increased by 15.2%, standing at Euro 11,122 million on 31 December 2009, compared with Euro 9,655 million at the end of 2008. This evolution was determined by the performance of the activity in Portugal, with emphasis on Retail and Companies segment, showing the Bank's capacity in the placement of products and solutions of this nature and the attractiveness of the offer, both in terms of tax-efficient products and of profitability provided, within a context of historically low market interest rates in 2009.

Total customers' funds				Euro million
	2009	2008	2007	Chan. % 09/08
Balance sheet customers' funds				
Activity in Portugal	35,999	36,875	33,692	-2.4%
International activity	14,994	14,461	11,212	3.7%
	50,993	**51,336**	**44,904**	-0.7%
Off balance sheet customers' funds				
Activity in Portugal	14,804	13,630	16,206	8.6%
International activity	1,205	837	2,137	44.0%
	16,009	**14,467**	**18,343**	10.7%
Total customers' funds				
Activity in Portugal	50,803	50,505	49,898	0.6%
International activity	16,199	15,298	13,349	5.9%
	67,002	**65,803**	**63,247**	1.8%
Customers' funds associated with assets in the process of sale (1)	-	**461**	**706**	
Total	**67,002**	**66,264**	**63,953**	

(1) Millennium bank Turkey.

Amounts Owed to and by Credit Institutions

Amounts owed to credit institutions and central banks less amounts owed by credit institutions totalled Euro 7,440 million on 31 December 2009, compared with Euro 5,399 million on the same date in 2008, reflecting a reduction in the Group's placements in other credit institutions and, at the same time, the greater use of the money and interbanking markets, related with the management of the Group's short term financing needs, benefiting from the improvement in the conditions of liquidity in the markets throughout the year.

Financial Assets Held for Trading and Financial Assets Available for Sale

Financial assets held for trading and financial assets available for sale totalled Euro 6,056 million on 31 December 2009, compared with Euro 5,617 million on 31 December 2008, representing 6.3% of total assets (5.9% on the same date in 2008). This evolution was essentially due to the increase in financial assets available for sale, in particular in respect of treasury bills and other public bonds and the take up of bonds of other Portuguese issuers.

Within the Group's liquidity management, the increase in the financial assets portfolio in 2009 reflects the acquisition of securities aimed to be included in the pool of securities eligible for collateral in possible refinancing operations with Central Banks.

Fixed-income securities continued to predominate, standing at Euro 4,177 million on 31 December 2009 (Euro 2,965 million on 31 December 2008). The structure of this component of the securities portfolio was affected both by the mentioned growth of bonds of other Portuguese issuers and of treasury bills and other public bonds and by the reduction of positions in bonds of Portuguese and foreign public issuers.

Variable income securities totalled Euro 737 million at the end of 2009 (Euro 856 million at the end of 2008), largely affected by the reduction in exposure to foreign companies, which was partially compensated by the increase and appreciation of the shares of national companies held in portfolio.

Trading derivatives amounted to Euro 1,147 million at the end of 2009, showing a reduction of 36.3% over the Euro 1,801 million recorded at the end of 2008, reflecting the lower volume of trading in interest rate swaps in 2009.

Assets held for trading and available for sale as at 31 December Euro million

	2009		2008		2007		Chan. %
	Amount	% in total	Amount	% in total	Amount	% in total	09/08
Fixed income securities							
Bonds issued by Government and public entities (Portuguese)	149	2.5%	307	5.5%	347	4.6%	-51.5%
Bonds issued by Government and public entities (foreign issuers)	1,084	17.9%	1,211	21.6%	1,522	20.3%	-10.5%
Bonds issued by other Portuguese entities	1,177	19.4%	161	2.9%	273	3.6%	
Bonds issued by other foreign entities	576	9.5%	500	8.9%	276	3.7%	15.2%
Treasury bills and other Government bonds	1,191	19.7%	786	14.0%	480	6.4%	51.5%
Commercial paper	-	-	-	-	2,362	31.5%	
	4,177	69.0%	**2,965**	52.8%	**5,260**	70.1%	40.9%
Variable income securities							
Portuguese	124	2.0%	80	1.4%	513	6.8%	55.0%
Foreign	271	4.5%	414	7.4%	404	5.4%	-34.5%
Investment fund units	340	5.6%	362	6.5%	420	5.6%	-6.1%
Other variable income securities	2		-		-		
	737	12.1%	**856**	15.2%	**1,337**	17.8%	-13.9%
Impairment for overdue securities	(5)		(5)		(5)		-
Trading derivatives	1,147	18.9%	1,801	32.0%	911	12.1%	-36.3%
	6,056	100.0%	**5,617**	100.0%	**7,503**	100.0%	7.8%

Liquidity Management

The implementation of extraordinary measures of liquidity injection begun in the last quarter of 2008 with the aim of stabilising the money market and, in more global terms, to revitalise the credit market, extended throughout 2009. These monetary policy initiatives had an impact on the generalised fall in market interest rates for all terms and was decisive in helping to create a climate of greater confidence and to rehabilitate the private debt markets, with the consequent reduction in risk premiums as from the second quarter of 2009.

In view of the uncommonly adverse economic situation, and in order to soften the prevailing financial conditions, Central Banks adopted a global innovative approach in their intervention in financial markets and selected instruments, with the European Central Bank (ECB), in this regard, maintaining a policy of injecting abundant liquidity in the market, specifically through the availability of unlimited funds at a fixed rate of 1% (since May 2009) in regular refinancing operations with terms of up to 1 year and the start-up of a program to acquire Covered Bonds.

Notwithstanding the economic indicators and the more favourable performance of the capital markets in the second half of the year signalling an upturn in economic activity, factors of uncertainty persist regarding the sustainability of the fragile recovery and of the extraordinary stimuli to the economies and the possible persistence of limitations in access to credit. In fact, in spite of the improvement in the conditions of liquidity in the European interbanking market, gauged by the volumes and extension of transaction terms, obtaining funds in the wholesale funding markets continued to be intermittent and at comparatively high costs, reflecting on the financing patterns of financial institutions and on the relative slowdown in the flux of credit granted to families and companies.

The Group Treasurer and the Capital Planning and Asset Allocation and Liability Management Committee (CALCO) remained focussed, in 2009, on executing the financial policy principles established for the Group, specifically: (i) attracting more balance-sheet funds from customers to moderate the growth of wholesale funding; (ii) the gradual reinforcement of the medium and long term component of wholesale funding, seeking to optimise the choice of instruments according to available capacity and market conditions; *and* (iii) strengthening the portfolio of assets eligible as collateral in refinancing operations with Central Banks.

Liquidity management in the Millennium bcp in 2009 continued to be oriented by prudential criteria and flexibility of action, aiming to adapt to the conditioning factors of the capital and credit markets, in order to ensure: (i) the optimization of the cost of financing, favouring medium/long term instruments with relatively more favourable pricing conditions; (ii) the stability of balance sheet customers' funds; and (iii) the diversification of the sources and maturities of funding, matching them to the structure of the balance sheet, namely to the mismatches between the maturities of assets and liabilities, including future refinancing needs.

In the financing structure of the Millennium bcp's intermediation activity, balance sheet customers' funds represented by customers' deposits and by securities representing debt placed in customers continued to have an especially significant position, notwithstanding the importance of wholesale funding transactions in the global management of liquidity, specifically the regular use of short, medium and long term issues of securities, placed through specialised operators in a broad market of international investors.

The Millennium bcp's intervention in the international markets, within its financing policy, continued to be processed fundamentally through (i) access to the money and interbanking markets and the issuing of short term debt through the Commercial Paper Program; together with (ii) issues of medium and long term debt under the Euro Medium Term Notes (EMTNs) program; and (iii) collateralised debt operations, in the form of mortgage bonds.

In more recent years, issues of wholesale funding, especially of EMTNs and the recourse, for the first time in 2007, to the Covered Bonds and Extendible Notes markets, allowing the Bank to extend and diversify the profile of the funding obtained on the market, thereby reducing the weight of short-term instruments (interbank money market and commercial paper) while increasing the weight of the medium-and long-term component.

In 2009, although in a context characterised by the abundance of lines of liquidity provided by Central Banks, CALCO continued to encourage the pursuance of measures aimed at the sustained improvement of the Group's liquidity position, namely: (i) fixing limits for the business areas showing a negative commercial gap (measured by the cover of credit extended to customers by the customer's balance sheet funds); (ii) reinforcement of the liquid assets portfolio, specifically, through the securitization of the mortgage loan portfolio – Magellan Mortgages Nrº 6 – associated to business in Portugal; (iii) fostering the growth and retention of customer deposits, as an important factor of global stability of funding; and (iv) strict management of priorities in investment banking activities.

In a context still blighted by uncertainty and by a degree of instability in the medium/long term debt markets, the Millennium bcp not only demonstrated the capacity to access these markets but, globally, it guaranteed the execution of the financing plan established for 2009 in terms of wholesale funding, the overall fund-taking position of which, on 31 December 2009, stabilised compared to the end of the previous year, with part of these funds being intended for the acquisition of securities to strengthen the portfolio eligible for collateral in possible refinancing operations with Central Banks.

Wholesale funding market positions at 31 December Euro billion

	2009	2008	2007	Chan. % 09/08
Interbank Money Market	4.5	3.7	0.4	0.8
Commercial Paper	2.4	3.2	7.6	-0.8
European Central Bank	2.9	3.0	0.0	-0.1
Euro Medium Term Notes	11.0	10.2	10.0	0.8
Covered Bonds	4.5	3.5	2.5	1.0
Extendible Notes	0.0	0.0	1.1	0.0
Subordinated Debt	1.8	2.4	2.9	-0.6
Credit Agreements with Financial Institutions	1.1	1.9	1.6	-0.8
Other	1.0	0.7	1.2	0.3
Total	**29.2**	**28.6**	**27.3**	**0.6**

On 31 December 2009 the exposure to the Money Market (Interbanking Money Market, Commercial Paper and European Central Bank) remained in line with the position at the end of the previous year. In fact, there were increases in the positions in EMTNs (+ Euro 0.8 billion) and in Covered Bonds (+ Euro 1.0 billion), while, at the same time, there was erosion in some of the other medium/long term instruments as a result of the option to replace them upon maturity, specifically with regard to subordinated debt.

Throughout 2009 a number of important transactions were made which allowed to reinforce the Group's liquidity levels, the main ones being:

- a fixed-rate 3-year debt issue, guaranteed by the Portuguese Republic, amounting to Euro 1.5 billion, in January;
- two issues of 5 and 2 year fixed rate bonds, without State guarantee, in April and June, respectively, for the aggregate amount of Euro 2.0 billion, made under the EMTNs Program;
- three issues of floating rate bonds for 3 years, 1 year and 3 years and three months, without State guarantee, in August, September and December, respectively, for the global amount of Euro 1.1 billion, under the EMTNs Program;
- an issue of Covered Bonds, in October, for the total amount of Euro 1.0 billion, maturing in seven years;
- an asset securitization operation in Portugal, related with a portfolio of mortgages amounting to Euro 3.6 billion, in March. The securities associated to this operation were not placed with investors, remaining in the Group's portfolio; and
- an issue of a financial instrument called "Perpetual Subordinate Securities with Interest subject to Conditions" ("Values"), for the global amount of Euro 1.0 billion, under the Debt Securities Issue Program, of which Euro 300 million were issued in June, Euro 600 million in August and the last tranche of Euro 100 million in December.

The various issues of wholesale funding debt which were made successfully throughout 2009 not only exceeded the global amount of debt to be refinanced in the year itself, but also allowed, by one hand, to reinforce the medium and long term component (residual period of maturity of more than 12 months) in the structure of the Group's wholesale funding, which evolved from 46.8% at the end of 2008 to 49.3% on 31 December 2009, and on the other hand, to anticipate partially the medium and long term financing needs for 2010, which were lower than the issues matured in 2009.

The amount of assets considered to be highly liquid in the Bank's securities portfolio was significantly reinforced in 2009, benefitting the Group's liquidity position and being especially important in an environment still blighted by uncertainty over the behaviour of the financial markets. Within this context, it would point out the introduction, in the first quarter of 2009, of securities with an AAA rating associated to mortgage securitization (Magellan Mortgages Nrº 6) amounting to Euro 1.6 billion (net of haircuts) in the pool of securities eligible for collateral in rediscount operations with Central Banks, which amounted to the global amount of Euro 10.6 billion on 31 December 2009, compared with Euro 7.3 billion on 31 December 2008.

The Bank's medium to long term debt maturing in 2010 amounts to Euro 4.3 billion, particularly in respect of Medium Term Notes issues amounting to Euro 2.9 billion, of which about 60% fall due in the second quarter of 2010. It can be expected that the refinancing of this debt will essentially involve recourse to new Medium Term Notes issues with a focus on the longer maturities and where there is less concentration of existing liabilities and also in function of market conditions. In this connection, the Bank is also considering the possible issue, in 2010, of Covered Bonds in a sum greater than that of the issue falling due that year (in the sum of Euro 1.0 billion), continuing in this way the Group's focus on diversification of its market financing sources and on lengthening its senior debt.

The Bank will probably pursue the policy of securitisations of its credit portfolio in 2010, through the implementation of new securitization operations, thereby making it possible to reinforce its portfolio of highly liquid assets for rediscount with the European Central Bank. In parallel, the Bank will take measures intended to adapt securitised assets to the criteria of eligibility, which will come into force in March 2011.

Notwithstanding the uncertainty and instability which characterised the situation of the international financial markets in 2009, the Bank generally executed its financing plan, conceived not only to preserve appropriate levels of liquidity and to ensure its sustainability in future years, but also to support the development of the intermediation activity and, thereby, to globally satisfy the financial needs of its customer base.

Pension Fund

In 2009 the Pension Fund's rate of return was positive at 9.4% notwithstanding the adverse environment of the capital markets. The strict management of the fund's assets together with the proportion of each class of assets allowed to obtain a higher return than the expected return in the actuarial assumptions for 2009. Pension Fund's assets appreciated to Euro 467 million, leading to an actuarial deviation of Euro 188 million.

In parallel with this, the changes made in the actuarial assumptions, namely in the discount rate to 5.50% (5.75% in 2008), in the rate of growth of salaries to 2.50% (3.25% in 2008) and in the rate of growth of pensions to 1.65% (2.25% in 2008), together led to a reduction in pension liabilities of Euro 299 million.

On 31 December 2009, actuarial differences amounted to Euro 1,514 million (of which Euro 553 million were included in the corridor), which reflected a reduction of Euro 627 million over the value entered at the end of 2008.

Given the extraordinary circumstances which have conditioned business in the financial markets in 2008, the Bank of Portugal, through Notice 11/2008, authorised the deferral of the actuarial losses determined in 2008 over the following four years, with the exception of the expected return from the fund's assets reported to 2008. The value of actuarial losses determined in 2008 which will be deferred linearly until 2012 amounted to Euro 534 million.

On 31 December 2009 pension liabilities amounted to Euro 5,410 million and were fully financed at levels above the minimum limits defined by the Bank of Portugal, with a level of coverage of 109%.

Pension Fund's — Euro million

	2009	2008	2007
Pension liabilities	5,410	5,723	5,879
Pensio Fund	5,530	5,322	5,616
Liabilities' coverage (*)	109%	100%	102%
Fund's profitability	9.4%	14.0%	4.3%
Actuarial differences	1,514	2,140	1,353
Corridor	553	572	588
Outside the corridor	961	1,568	765
Actuarial gains (losses)	557	(827)	(160)
% Equities in the Pension Fund	22%	20%	35%

(*) Includes the amount registered in the balance sheet

Capital Management

Capital ratios as at December 31, 2009 and 2008, were calculated in keeping with the Basel II regulatory framework, the respective capital requirements having been determined on those dates in accordance with the methods stated in the following table.

Capital requirements: calculation methods and scope of application, as at 31 December

	Actual		Pro forma IRB
	2008	2009	2009 [(1)]
Credit risk and counterparty credit risk			
Retail			
- Loans secured by residential or commercial real estate	Standardised	Standardised	IRB Advanced
- Other loans	Standardised	Standardised	Standardised
Corporate	Standardised	Standardised	IRB Foundation
Other credits	Standardised	Standardised	Standardised
Market risks			
Debt instruments	Standardised	Internal Models (2)	Internal Models (2)
Equities	Standardised	Internal Models (2)	Internal Models (2)
Foreign exchange risk	Standardised	Internal Models	Internal Models
Commodities	Standardised	Standardised	Standardised
Operational risk	Basic Indicator	Standard	Standard

[(1)] The presented pro forma ratios were calculated in accordance with the IRB methods, taking into consideration the revision process, by the Bank of Portugal (BdP), of the submission of the proposal to adopt these methods. They were considered estimates of the probability of default and the lost given default (IRB Advanced) for the retail portfolio collateralized by commercial and residential real state, and estimates of the probability of default (IRB Foundation) for corporate portfolio, in Portugal. At the 1st semester of 2009, the Bank received authorization from BdP to adopt the advance methods (internal model) to the generic market risk and the adoption of standard method for the operational risk.

[(2)] The Bank of Portugal authorised the Bank to use this method in 2009, in respect of the calculation of own funds requirements for the general risk and for the sub-portfolios included in the perimeter managed from Portugal.

As at December 31, 2009, consolidated total capital ratio stood at 11.5% and the Tier I at 9.3%, comfortably above the minimum threshold of 8% recommended by the Bank of Portugal, the Core Tier I having improved to 6.4%, compared to 5.8% as reported at the end of 2008.

Concerning the application of Basel II methodology for the calculation of capital requirements, adopted by the European Union through the EU directives, and transposed to Portuguese national law in 2007, the Millennium Group requested a formal authorisation from the Bank of Portugal to implement the IRB approach for credit and counterparty risk.

Regarding the process under review by the Bank of Portugal concerning the use of the IRB approach, Millennium bcp calculated pro forma capital ratios according to the mentioned IRB approach. According to this approach the estimated Core Tier I stood at 7.1% and Tier I and total solvency ratio at 9.2% and 10.5%, respectively, on 31 December 2009.

The good performance of the capital ratios in 2009 reflects, in particular, the positive impacts associated with the performance of the Pension Fund, with the issues of the financial instrument named “Perpetual Subordinated Debt Securities with Conditional Coupons” (“Values”) and with the internal generation of capital, notwithstanding the recognition of negative impacts on the Core Tier I essentially related with booking of deferrals authorised by the Bank of Portugal, with the depreciation of the investment in Eureko and with the deduction of a differential determined between regulatory provisions and impairments.

The Pension Fund benefited the capital ratios, both as a result of the actuarial gains recorded, including the variation of Pension Fund corridor during the period, which led to an additional increase of this aggregate in the sum of Euro 241 million (+36 b.p.) in respect of the Core Tier I, and also owing to the changes of assumptions, when compared to December 31, 2008, related with the discount rate (from 5.75% to 5.50%) and of the growth rates of wages (from 3.25% to 2.50%) and of pensions (from 2.25% to 1.65%), which together led to an increase of Euro 299 million (+44 b.p.).

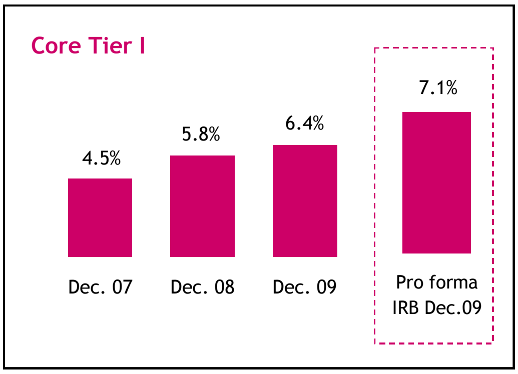
The good performance of the capital ratios was also influenced by the conclusion, during the first half of 2009, of financial transactions related with the strategic partnership agreement entered into in 2008 with Sonangol and Banco Privado Atlântico, which led to their holding of 29.9% and 20% of the Banco Millennium Angola equity capital, respectively, providing a 12 b.p. increase of the Core Tier I through the increase of minority interests (Euro 62 million) and of net income (Euro 21 million), on the one hand, as well as the gain of Euro 57 million generated by the sale of assets during the third quarter of the year, which added 9 b.p. to Core Tier I.

The Core Tier I ratio also reflects the following impacts:

- the net income recorded, excluding that derived from the dispersal of the equity capital of Banco Millennium Angola and from the sales of assets referred to above (+ Euro 147 million);
- the write-back (under own funds) of losses related with the reduction of the amount of the own credit-risk for liabilities carried at fair value (+ Euro 106 million);
- the reduction of Pension Fund's actuarial differences above the corridor owing to the respective annual amortisation (+ Euro 67 million);
- the increase of the Millenniumbcp Fortis fair-value reserves (+ Euro 34 million);
- the retention of Euro 159 million by way of ordinary dividends payable, on the basis of a payout ratio of 40% of total net income, and of the remuneration of the preference shares and of the "Values", including the accrual related to 2009 but payable in 2010;
- those related with own shares, currency fluctuations and other variations of equity and minority interests, which together had an effect of Euro -3 million on this aggregate.

On the other hand, the deferred impacts of the adjustments for the transition to the IFRS, of the 2005 mortality table and of the actuarial losses in 2008, on the one hand, and the depreciation of the investment in Eureko, on the other, led to reductions of Euro 213 million (-30 b.p.) and of Euro 196 million (-27 b.p.), respectively, of the Core Tier I, in 2009.

The Core Tier I as at December 31, 2009, was also affected by the fact that the loan-loss provisions determined on an individual basis, in accordance with the criteria established by Bank of Portugal Notice 3/95, exceed the amount of the respective impairments, determining a deduction of the respective difference, in the sum of Euro 163 million (-22 b.p.).



Additionally, the Tier I benefited from the Euro 1 billion of "Values" issued, which warranted Bank of Portugal authorisation to be included in this aggregate up to a maximum of 35% of the respective amount (+148 b.p. on the Tier I and Total ratios, though with no impact on the Core Tier I ratio).

Tier II evolution reflects, essentially, either the repurchase of subordinated debt that have contributed, positively, to the amount of the consolidated own funds, in the amount of Euro 512 million, or the amortization, solely for regulatory purposes, covering fixed-term subordinated loans during the last five years of their life.

Risk weighted assets also contributed to the favourable evolution of the capital ratios, falling Euro 1,657 million during 2009, reflecting both greater control over the increase of business risks and the efficiency of their management, particularly in respect of loan collaterisation, and also the adoption of the standard approach to calculate the capital requirements for the operational risk, notwithstanding the increase recorded in the wake of the cancellation of the Promise Caravela 2004 synthetic securitisation operation, with effect in July 2009.

Solvency Euro million

	Standardised			Pro forma IRB (1)
	2009 [2]	2008	2007	2009 [2]
Risk weighted assets				
Credit risk	61,059	61,846	61,545	56,530
Risk of the trading portfolio	350	436	142	350
Operational risk	4,360	5,144	-	4,360
Total	**65,769**	**67,426**	**61,687**	**61,240**
Own funds				
Tier I Capital	6,102	4,780	3,362	5,642
of which: Preference shares and "Values"	1,934	955	688	1,934
Other deductions (3)	(19)	(60)	(78)	(641)
Tier II Capital	1,566	2,358	2,557	943
Deductions to Total Regulatory Capital	(127)	(81)	(22)	(127)
Total Regulatory Capital	**7,541**	**7,057**	**5,897**	**6,458**
Solvency ratios				
Core Tier I	6.4%	5.8%	4.5%	7.1%
Tier I	9.3%	7.1%	5.5%	9.2%
Tier II	2.2%	3.4%	4.1%	1.3%
Total	11.5%	10.5%	9.6%	10.5%

[1] The presented pro forma ratios were calculated in accordance with the IRB methods, taking into consideration the revision process, by the Bank of Portugal (BdP), of the submission of the proposal to adopt these methods. They were considered estimates of the probability of default and the lost given default (IRB Advanced) for the retail portfolio collateralized by commercial and residential real state, and estimates of the probability of default (IRB Foundation) for corporate portfolio, in Portugal. At the 1st semester of 2009, the Bank received authorization from BdP to adopt the advance methods (internal model) to the generic market risk and the adoption of standard method for the operational risk.

[2] The amounts and the ratios presented do not include the impact from the sale of 95% of Millenniun bank AS in Turkey and the capital increase in Bank Millennium in Poland, which have a global impact in Core Tier I of around 20 b.p..

[3] Includes, namely, deductions related to the shareholdings in Millenniumbcp Fortis and Banque BCP (France and Luxembourg).

Notes:

[a] The capital requirements were calculated according to Basel I in 2007 and started to be determined according to Basel II since the beginning of 2008, following the standard approach for the credit and market risks and following the basic indicator approach for the operational risk. In 2009, the Bank of Portugal authorised the adoption of the standard approach for the capital requirements for operational risk and the internal models approach for generic market risk of the trading portfolio and for the foreign exchange risk, comprising the perimeter managed centrally from Portugal.

[b] In accordance with a clarification from the Bank of Portugal in 2008, the capital deductions related to shareholdings in insurance and banking companies are deducted from *Tier I* , which were previously deducted from Core *Tier I* . The ratios as at 31 December 2007 are on a comparable basis.

Segmental Reporting

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

Business segment activity

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

As the process of capital allocation follows the regulatory criteria of solvency in place, the risk weighted assets and, consequently, the business segments' capital allocation, were determined in accordance with the Basel II framework, considering the standard approach for calculating capital requirements for credit risks. In 2009, subsequent to the authorisation from the Bank of Portugal, the Bank adopted the standard approach for operational risk and the internal models approach for general market risk and foreign exchange risk, for the perimeter managed centrally from Portugal. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

To ensure comparability for this information, the structural changes occurred in 2009 regarding the segments organisation in the Group were reflected in 2008 figures. The Companies segment was incorporated in the Retail Banking and Companies segment, while Corporate became part of the Corporate and Investment Banking segment. Also, for those purposes, ActivoBank7 was transferred from Retail Banking to Private Banking and Asset Management and BCP Banque Privée in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands were framed under the Foreign Business, leaving part of the Private Banking and Asset Management.

Each segment's net contribution reflects the individual results achieved by its business units, independent of the percentage held by the Group. The following information is based on financial statements prepared according to IFRS and on the organisational model in place for the Group, as at 31 December 2009.

Retail & Companies

The Retail Banking and Companies segment, in Portugal, has specific businesses: i) the Retail Bank, for which the strategic approach is to target "Mass Market" customers, those who appreciate a value proposition based on innovation and speed, as well as Prestige and Small business customers, whose specific characteristics, financial assets or income imply a value proposition based on innovation and personalisation, requiring a dedicated Account Manager; and ii) the Companies network in Portugal, which covers the financial needs of companies with an annual turnover between euro 7.5 million and euro 100 million, focused on innovation and offering a wide range of traditional banking products complemented by specialised financing. Within the scope of the cross-selling strategy, Retail Banking and Companies also acts as a distribution channel for financial products and services of the Group companies.

The net contribution of Retail Banking and Companies totalled euro 185.2 million in 2009, compared with euro 361.7 million in the same period of 2008, reflecting the reduction in net operating income, as a result of the decrease in net interest income from customer funds, following narrower spreads, namely the on demand deposits spreads, and the reinforcement in impairment charges, due to the coverage of impairment indicators in the loan portfolio.

Simultaneously, the loans margin showed a favourable evolution, benefiting from the growth in average spread, following the repricing implemented, notwithstanding the mortgage credit portfolio not be susceptible of repricing.

Net commissions registered a favourable evolution in 2009, compared with 2008, highlighting commissions associated with demand deposits, with cards, with guarantees and with risk insurance. Operating costs showed a decrease from 2008, as a result of the impact of initiatives implemented aimed at simplifying the organisation and improving procedures.

The strategy designed to further increase customer funds led to a growth of customer deposits by 10.3%, which mostly offset the decrease in assets under management, and determined an increase in total customer funds, from euro 35,567 million as at 31 December 2008 to euro 37,697 million as at 31 December 2009.

Loans to customers eased 0.7%, to euro 45,369 million as at 31 December 2009 from euro 45,710 million on the same date in 2008, influenced by the decrease of 1,8% in loans to companies.

The customer satisfaction index increased 1.31 p.p. compared to 2008, and it is worth noting the increase occurred in the Cross-Selling Index from 4.07 to 4.12 during the same period.

Million euros

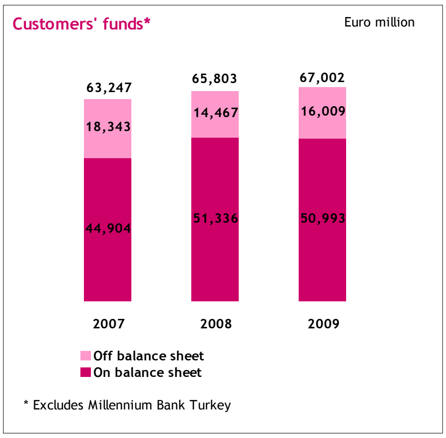
	2009	2008	Change % 09/08
Profit and loss account			
Net interest income	814.5	1,094.0	-25.5%
Other net income	485.3	465.7	4.2%
	1,299.8	**1,559.7**	**-16.7%**
Operating costs	774.9	800.7	-3.2%
Impairment	272.9	266.9	2.3%
Contribution before income taxes	**252.0**	**492.1**	**-48.8%**
Income taxes	66.8	130.4	-48.8%
Net contribution	**185.2**	**361.7**	**-48.8%**
Summary of indicators			
Allocated capital	1,522	1,656	
Return on allocated capital	12.2%	21.8%	
Risk weighted assets	30,449	33,122	
Cost to income ratio	59.6%	51.3%	
Loans to customers	45,369	45,710	-0.7%
Total customer funds	35,697	35,567	6.0%

Retail

Savings, Investment and Brokerage Products (PPIC)

Against a background marked by great volatility in capital markets and interest rates, Millennium bcp brought its investment offers into line with more conservative products, able to transmit security and to strengthen customer' confidence in its offer.

The Bank actively promoted the marketing of products based on setting aside small savings, in which the returns offered encouraged the customers' commitment to increase their loyalty to the Bank and to create savings habits. The focus here was on the younger segment, leading to greater banking uptake of this segment, while also strengthening programmed saving habits. For medium-term savings, greater dynamism was lent to savings and retirement products through the creation of new product lines, the success of which allowed an outstanding position to be achieved among the main competitors. Complementing this, the Bank has developed recurrent campaigns directed at persuading the Bank's natural market to invest in the medium and long term, from a standpoint of regular savings.

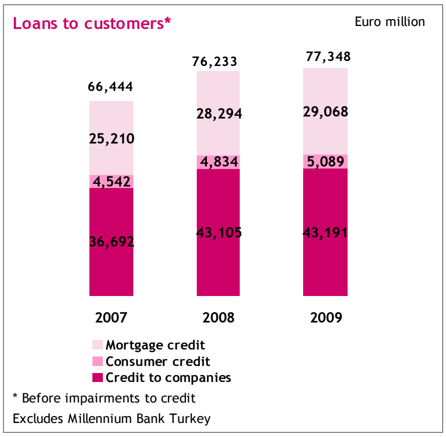


The Retail network generated a 6.4% increase of total customer funds, with a focus on customer deposits, up 11.4%, in line with the greater appetite for low-risk, high-liquidity products. Meanwhile, debt securities fell by 19.0%. With regard to off-balance sheet funds, the Bank returned an increase of 10.0%, particularly in retirement products and capitalisation insurance (up 13.0%). The asset-management heading maintained the downward trend of the past two years, declining by 15.6%.

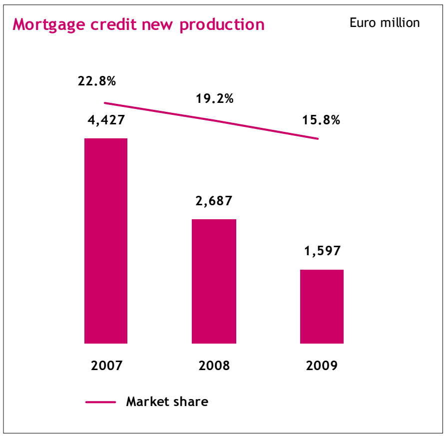
In 2010, Millennium bcp will continue to implement a proactive strategy in attracting customer funds, seeking to reduce the weight of wholesale funds in the Bank's funding structure, diminishing its liquidity gap and focusing on growth of its balance sheet funds. The Bank will continue to attract programmed small savings, and will also focus on developing financial products best suited to its customers' expectations, taking into account the risk profile, the liquidity requirements and the time horizon of the investment. Through this commercial approach the Bank intends to strengthen savings levels and to contribute to the consolidation of its customers' savings.

Loan and Insurance Products (LIP)

In view of the particularly demanding situation of the economy, both at the international and at domestic level, reflected in the unemployment rate and in the falling confidence indices of individuals, in a more restrictive credit-granting policy and in the increasing demands of the regulatory framework, the volume of credit extended to individuals fell in 2009. The Bank's activity centered on customer service quality, on compliance with all legal provisions and duties of information both in personal and in mortgage loans and, in parallel, taking into account the customers' needs and expectations and also their financial difficulties, which deteriorated during the year, on implementation of measures designed to minimise mortgage instalments, particularly the Mortgage Loan Moratorium (State line) and the Financial Counselling Service.



As far as business loans are concerned, primarily focused on growth of the short-term loan portfolio and on greater penetration of good-risk customers. Relations with business customers were strengthened, and the commercial network was provided with products and services instruments allowing Millennium bcp to become their first bank. There was a focus on operational streamlining and on process optimisation so as to improve the service provided to the customer. It should be mentioned that Millennium bcp played a preponderant role in supporting businesses and achieved leadership in the "PME Investe" Credit Lines, having directly financed about 26% of companies making use of the available lines.



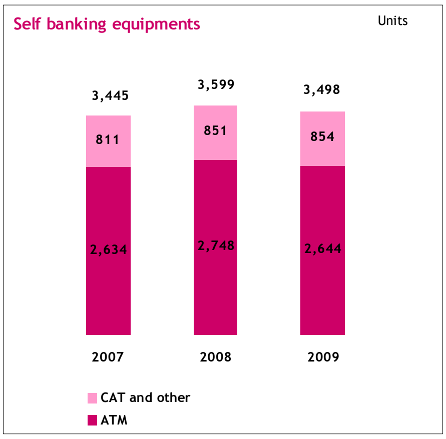
During 2009 the Bank continued the process of renewal and modernisation of the offer of protection insurance that it provides for its customers. New products were launched, including: Motor Protection (active sale) and Motor Financing Protection (for leasing, LTR and motor loan operations); Pétis – Pets, insurance that combines vet assistance and medication with third-party liability cover, providing total protection; Mortgage loan protection plans for new contracts and for existing mortgage loan contracts.

The Bank continues to focus on the promotion of risk insurance under special conditions, directed at the customers of the various market segments in which operates. Emphasis in this is given to the offer of full protection for holders of Prestige, Frequent Customer, Passport and Applause Customer Accounts, involving products suited to the differing needs of these customers. It continued to promote risk insurance under special conditions associated with other product campaigns, such as those directed at Mortgage Loan customers, Motor Solution customers and customers holding Millennium bcp Credit Cards.

The year under review was marked by a 2.5% increase of revenue in a year particularly difficult for the sale of insurance associated with credit products. A decisive part was played in this by Médis Health Insurance (up 10.4%), Home Protection+ Insurance (up 26.6%) and Life Insurance Associated with Mortgage Loans (up 1.7%). Good performance by Médis allowed it to continue to rank 2nd, in market share terms, in health insurance.

The priorities for 2010 include continuation of the renewal of the offer of risk insurance products, with a special focus on personal accident insurance and on insurance for companies, as well as optimisation of the process of subscribing to insurance via the Internet.

Self-banking and Instruments of Payment



Millennium bcp increased the number of its intelligent Automated Teller Machines (ATM) incorporating deposits technology, with validation of notes and cheques, with image scanning, that at the same time allow for all the other transactions of the Millennium bcp network, bringing the markets share up to more than 35%.

Solely for use by its own customers, the self-banking areas of the Millennium bcp's branches are being equipped with new models of machines for deposits in bags, directed at SMEs and shopkeepers in general, improving the quality, speed and availability of the service. The remainder of the internal network is being updated on a continuous basis through the installation of machines allowing the issue of cheques, deposit of cheques with validation, and issue of statements in A4 format.

During 2009, the Bank continued to focus on greater capillarity of the ATM machines installed by Millennium bcp to serve the general public in carefully selected areas having no banking services such as places outside the big urban centres, and in major consumer and pedestrian traffic zones. The Bank also extended its security programme by installing in the ATMs a banknote inking system, a field that the Bank pioneered and where it has the biggest number of machines protected.

Several commercial measures were undertaken to place Point-of-Sale Terminals (POS) and so to increase the number of POSs in shops and stores, extending the capillarity of the points-of-sale of automatic means of payment and, at the same time, promoting the debit and credit card market, improving safety and allowing a reduction of cash in circulation.

In this connection, accompanying the launch by SIBS of the MBSpot service (payment of services and cell-phone loading using the POSs), Millennium bcp implemented several measures to encourage the use of the service by Millennium bcp shopkeepers that have POSs, a service that provides access to basic banking services in regions where there are fewer bank branches.

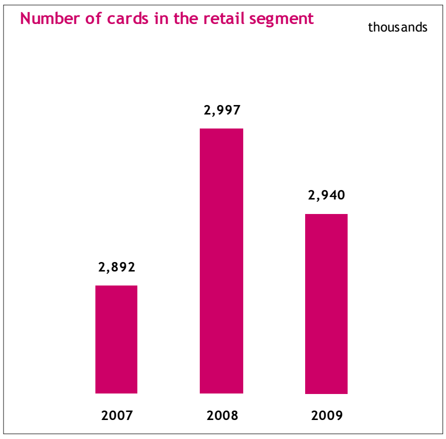
In partnership with McDonald's and Via Verde Portugal, Millennium bcp launched an innovative pilot project on the market, involving payment through the Via Verde identifiers at two "Drive-Thru" restaurants of the McDonald's chain, as part of the strategy to migrate payments to electronic means of payment that the Bank has been implementing.

The Bank has met the requirements necessary to its compliance with Decree-Law 317/2009 of October 30, which transposed to Portuguese law Directive 2007/64/EC of the European Parliament and of the Council of November 13 governing rights and obligations in the matter of the provision and use of payment services within the European economic area. Attention is also called to the change in prices associated with collection products, with a predicted annual impact on the order of euro 3 million.

In 2009, Millennium bcp consolidated its position as the leading Western Union agent in Portugal. To this end, and capitalising on the fact that it is the only bank that enables its customers to undertake transactions conveniently and securely via telephone or Internet, the Bank launched a campaign during the last quarter of the year, inviting customers of the Western Union service to become Millennium bcp customers with the faculty of enjoying this relevant service, among others.

Cards

Despite the adverse economic environment, with the inherent downturn of private consumption and increasing unemployment, the results of the cards area were generally good. The number of the Bank's debit cards increased, while the Visa/MasterCard credit portfolio fell slightly, though in line with expectations as a result of the migration of cards to the American Express brand caused by concentration of the commercial effort on placing cards of the latter brand. As a result of these efforts, the American Express portfolio increased 13.4%, with a special focus on the Blue, Business and Twins Cards.



Notwithstanding the decline of the interchange fees and of credit card invoicing, largely offset by the increase of debit card invoicing, profits were up over previous years as a result of strong control over leakage and of the focus on cost cutting.

2009 kept the ongoing focus on innovation and on the creation of products adding value both for the customers and for the Bank. Particular emphasis is given to the launch of the Twins Cards, the Rock in Rio Blue Card, the American Express business revitalization and the new contactless solution:

- Available for the Millennium bcp, Millennium bcp Gold, TAP Classic and TAP Gold, the Twins Cards allow the customer to have two cards of different brands (Visa or MasterCard and American Express), paying just one annual fee. For greater convenience, the two cards share the same credit limit and the same statement, with the offer of a higher figure in the respective loyalty programme when the American Express network cards are used;
- In June 2009 launched the "Your Blue Card takes you to Rock in Rio" campaign, offering a one day ticket to Rock in Rio 2010 when subscribing to the American Express Blue card. The campaign was very successful, leading to a large number of subscriptions and greater use of this card;
- The process of revitalisation of the American Express Business Card, concluded in 2009, brought with it new functions (revolving), a loyalty programme (membership rewards) and discount programmes ("business savings programme" and "selects"), and a new line of communication was developed, including a guide to the advantages;
- In a constant search for innovation and improvement of the service provided, Millennium bcp, in conjunction with MasterCard and SIBS, was a key driver of the new contactless payments solution, testing of the concept, involving Portugal's leading banks, having taken place during 2009. This contactless technology is a solution especially developed to make small electronic payments – up to 20 euros – safer and faster, more convenient and more simple, thus increasing card use and attracting to this means of payments of expenses that are commonly paid for in cash.

The Bank renegotiated and maintained the benefits most valued by its customers, of which it is worth mentioning the free entrance to the museums of the Portuguese Museums Institute, the offer of tickets to ZON Lusomundo cinemas – on presentation of a Millennium bcp card to pay for one ticket you get another free – and the offer of tickets for Rock in Rio for using Millennium bcp and American Express credit cards.

The American Express site was launched on Facebook as a tool for first-hand disclosure of brand promotions, novelties and benefits, while it also acts as a forum for public opinion and seeks in this way to follow trends, anticipate behaviour and improve the service provided.

Several measures were implemented with a view to simplification of the systems and to cost reduction, with emphasis on:

- the new card application and allocation system, developed on the Intranet Platorm of Commercial Activities (iPAC), was simplified and made more efficient, incorporating into the application process the credit decision and the proposed credit limit for the requested card. This system also takes into account the requisites stemming from Decree-Law no. 133/2009 and Decree-Law no. 317/2009, improving integration, efficiency and control, and ensuring compliance with the legal and regulatory duties associated with credit card applications for individuals;

- contributing for increasing customer convenience and preserving the environment, autonomous monthly statements are being migrated to digital statements, a measure that will continue in 2010.

With regard to the American Express acquiring network, the emphasis is on the good commercial performance, with a 34% increase in attracting new shopkeepers. However, invoicing at American Express establishments in Portugal decreased, in line with the sharp drop of inbound business, essentially the result of the reduction of the number of foreign cards in Portugal, although holders of American Express cards in Portugal used their cards more frequently. In pricing terms, the gross discount rate retained its premium over the other international brands. Fraud-prevention measures were strengthened and a system was created to increase online acquiring to drive sales and offer card holders greater convenience.

In 2010 Millennium bcp will continue to implement a proactive strategy directed at attracting new custom, focusing on greater use of cards and on the benefits granted, on reduction of operating costs and on the development of new products and functions to strengthen its basic service of excellence.

Retail Network Control and Service (RNCS)

The RNCS Unit continued to co-operate with the Segment and Product Units with a view to providing support to the process of innovation and improvement of the commercial executables, maintaining and creating operational control mechanisms allowing an assessment of the commercial results achieved and continuing to provide technical support to the functional structure that makes up the Retail network.

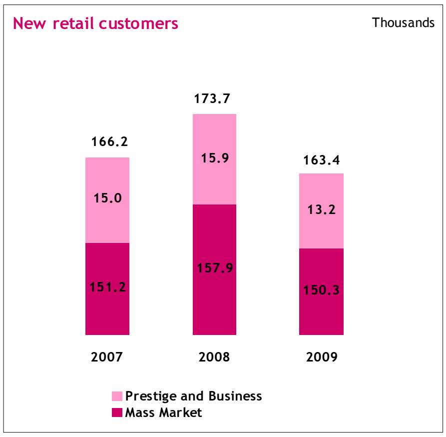
RNCS Unit's activity was directed at four major areas: I) Management of the offer, including disclosing guidelines, rules and competences; maintenance and disclosure of the Bank's price list in conjunction with the units involved; information on changes to rules and procedures; and drawing up information manuals; II) Commercial management and encouragement, including disclosure of best commercial and operational practices; publication of objectives and results achieved during the commercial cycles; participation in process re-engineering projects essential to the improvement of operating efficiency; and permanent technical and operational support; III) Management information, including development of projects to improve the international data base; and IV) Operational control, including execution of operating processes and accounting control.

Of these four major areas of activity the following projects in which the RNCS Unit was involved are:

- co-ordination of the transposition of Bank of Portugal regulations regarding the price list and information requirements – Bank of Portugal Notice 8/2009;
- reduction of exemptions and commercial discounts of the standard price list (leakage);
- process of central renewal of credit lines and limits;
- account domiciliation service;
- recorded telephone message of the branches' opening hours.

Individuals Segment

During 2009 Millennium bcp continued its strategy of greater approach to its customers, focusing on the creation of competitive products and financial solutions best suited to the customers' expectations, so ensuring high satisfaction levels. The Bank continued to focus on the offer of integrated, simple and transparent solutions allowing a clear perception of the content of the Bank's offer. To this end, the Bank overhauled the offer of the Preference Programme and Frequent Customer solutions, completing and making them more attractive. The Individuals Segment also focused its strategy on attracting funds, creating attractive products and presenting a set of varied saving solutions. The focus on commercial dynamism was also a constant feature throughout the year, and there was constant improvement in respect of the Mandatory Contacts Plan, with good results in terms of increasing commercial productivity, maximisation of sales opportunities and daily, effective monitoring of the customer portfolio.



In 2009, Millennium bcp also renewed its commitment: "Millennium bcp is present in the live of its customers, supporting them whenever they need". Based on this concept, a strong commercial campaign was launched in May based on attracting salaries under the slogan "Lean on us". Besides the known advantages of the Millennium bcp Salary Advantage Solution, the product was enriched with the offer of the first year's Médis health insurance premium. All customers domiciling their salary for the first time between May and August benefitted from this offer. The Bank sought to create a link of confidence with the customers, passing on the idea that, whenever they need they can "Lean" on Millennium bcp.

Youths, too, continue to be a Millennium bcp priority. In July 2009 Millennium bcp launched a powerful commercial campaign directed at the younger segment. The main aim was to respond to their main financial needs: the first financial relationship, the first savings, coverage of some risks, the principle of autonomy in their relationship with money and with the Bank. In this way Millennium bcp assumed a commitment to its younger customers, presenting a complete package of products: savings products allowing them to begin saving with little and to increase their savings by amounts accessible to children; insurance products designed to guarantee the future in the event of serious accident or to safeguard their parents in the event of damage caused to third parties by their children; and an offer of cards and Internet access – from the age of 14 – allowing the young to consult movements and, in this way, to acquire greater autonomy and responsibility in their first relation with money and with the Bank. The "Youth Offer" campaign constituted a lever to drive this segment, helping to strengthen the position of the Millennium bcp brands among its younger customers.

Millennium bcp continued to know how to welcome its emigrant customers. Starting in June in the main foreign markets and in August on the domestic market, the Emigrant campaign provided an offer thinking of those far away, providing a number of products and services, with emphasis on: the Fast Transfer Service, allowing money to be sent to Portugal free-of-charge, conveniently and securely, provided the transfer is to accounts with Millennium bcp in Portugal, and savings products in euros or foreign currency, with differing.

In 2009, Millennium bcp also welcomed its immigrant customers, accompanying them and supporting them in the various stages of their lives. In this connection, directed measures were launched as was a promotion campaign of great visibility at the branches, the message being "Saving is easy in any language".

To strengthening the relationship of proximity and confidence with the customers, Millennium bcp opened 6 new branches and introduced Saturday opening hours at 28 branches in the main urban centres, suited to the convenience of the customers.

A campaign was launched to encourage the use of digital statements, increasing the migration measures undertaken in recent years, in order to minimise the predicted increase of costs.

In 2010, Millennium bcp will continue to pursue its strategy of attracting new customers, taking advantage of the moment when an account is opened to capitalise on the customer's presence at the branch, with early segmentation of the customers and enriching the Millennium bcp service of excellence right from the outset. The link to the Bank will therefore be underpinned by a sequential and logical financial offer, allowing a progressive increase of the returns on the customer. Millennium bcp will direct greater effort at research and development within the scope of integrated solutions and will continue to focus on attracting and increasing funds, consolidating its position in the market as a savings bank.

Affluent and Business Segment

Affluent segment

During 2009 the Prestige Customer Programme continued to provide the best conditions for the individual customers of the Retail network. Of the distinctive free-of-charge offer that characterises this programme the emphasis is on free cheques and transfers, cards with no annual fee, advantages in loans and also a Prestige protection insurance package under special conditions, in adittion to other advantages.

In financial planning, the Prestige manager, the pillar of the relationship and the prime contact for the customer, now has improved tools, allowing for a rigourous, professional check-up in order to find solutions best suited to the investor's profile and personal goals.

In attracting new custom, the "Member get Member" campaign focused the network on meeting the goals. As a result of the dynamics of this campaign it proved possible to attract new Prestige customers through referral by present customers.

The Digital Statement Campaign was launched with a view to migrating customer-support documents, with a view to meeting cost-cutting goals.

During 2010 the Bank will continue its strategy of approach to this segment, seeking to attract new customers and to increase the returns generated by existing ones, improving the managers' relations with the Prestige customers, increasing the their commercial effectiveness and clarifying the advantages of the Prestige offer, emphasising the underlying rationale and improving the specific communication elements.

Business segment

In the Business segment Millennium bcp is renowned for its position of leadership, accounting for about one quarter of all loans and advances to companies and entrepreneurs in this segment. These results reflect a strategy, consistent over time, of proximity to its customers, with a wide-ranging offer and a service of excellence. A key pillar for this strategy is the "Applause Customer" initiative, a distinction awarded by Millennium bcp only to the best entrepreneurs who invest in the sustainability of their business and select the Bank as their financial partner for their projects. During 2009 the "Applause Customer" was supported by a television campaign and, towards year-end, it was revised aiming to improve training capabilities and to provide information for Portuguese entrepreneurs.

In strengthening the business offer the year was marked by the "PME Investe IV" programme, with a mutual guarantee, within the scope of the National Strategic Reference Framework (NSRF). Millennium bcp was the leading bank in the number of companies supported by this "PME Investe IV" line for micro-companies as well as in all the lines, clearly the bank preferred by Portuguese entrepreneurs. To provide an ongoing service improvement, the Bank developed a Business Managers certification programme in 2009, in partnership with the Banking Training Institute ("Instituto de Formação Bancária"). This was very well attended and increased the technical and commercial skills of the Bank's employees more directly involved in meeting the needs of Portuguese companies.

An effort was made in 2009 to match prices charged to customers with the cost of the Bank's funding and to strengthen loan collaterals, within a context marked by an increase of non-performing loans. This initiative, allied to segregation of the rating-assignment and credit-decision processes, more careful analysis in granting credit and the special attention being given to early-warning signs, is one of a number of measures designed to improve the credit process, helping minimize expected losses through adequate collateral, imposing correct pricing in the light of the specific risk of the operation, diligent monitoring of customers with problems and minimising actual losses in the event of failure by customers to comply.

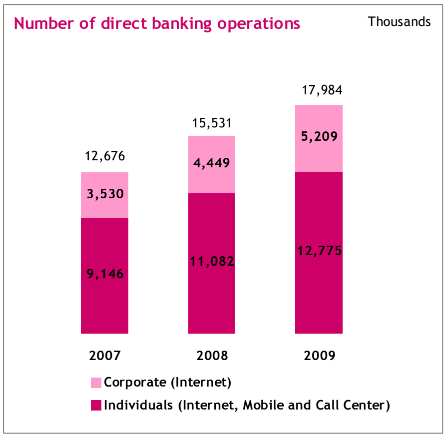
Emigration

The Comercial Department of Foreign Residents' main activity is to monitor and develop business with all Portuguese and foreigners living abroad that wish to have or already have a relationship with Millennium bcp. In this context, the area has the mission of attracting new customers, funds – by remittances – for term deposits and other business, including mortgage loans in Portugal.

Direct banking

The growing use by the Bank's customers of the Millennium bcp direct channels was reinforced in 2009. The significant increase in the number of transactions via the Internet channel – 15% for indiviuals and 17% for companies – is evidence of this. Moreover, the Bank maintained a permanent concern for innovation, expressed in the new features available to customers, namely the possibility of scheduling account opening through the site for individuals.

The constant search to better serve customers was recognized in 2009, by Global Finance magazine, with the prize of "Best Consumer Internet Bank in Portugal".



Companies Network

In terms of the organisational structure, it is worth mentioning the integration of the Companies network into the Retail and Companies Co-ordination Committee, the aim being to generate greater synergies between these two business areas with their complementary characteristics. At the same time, two distinct areas of co-ordination were set up (North and South), with a view to greater proximity to markets that have distinct characteristics: industrial to the north and services to the south.

The economic recession in Portugal affected the business of the Companies network in 2009. Bearing this in mind, the commercial strategy kept the main guidelines established at the end of 2008, focusing on:

- attracting customer funds, seeking to strengthen the Bank's position in terms of the liquidity gap, while not neglecting matching the service of excellence with a better preservation of the net interest margin;
- maintaining the policy of pricing discipline in terms both of spreads and of commissions, so as to match them to the risk taken on and to safeguarding the Bank's credit margins;
- careful management of loans, with a focus on growth in terms of profitability and of reinforcement of collateral, seeking to optimise efficiency in the use of capital.

Emphasis was given to the policy of growing proximity to the customers looking to ensure close monitoring of their business, determining any signs of difficulty that could allow the Bank to take preventive action and provide future business opportunities.

Of the measures taken in implementing the foregoing strategy, the following are among the highlights:

- implementation of the "Closer to the Customers" programme within the scope of which commercial events were organised. These were well received and participation was good, and their success was helped by the invitations extended to a company at each venue to present its success story, providing an opportunity for the Bank to present its prime solutions in terms of support to the internationalisation of companies (in partnership with AICEP), its credit lines in support of investment (in conjunction with IAPMEI) and in terms of cash management instruments;
- network employee training courses directed at consolidating knowledge and at providing employees with more information and training in matters related with leadership and negotiating techniques, opening up the way to an exchange of experiences between the network's employees, and revealing best practices for greater effectiveness in relations with customers, as well as specific training in various products, especially trade finance, insurance, cards and investment funds;

- presentation of areas that in the current economic environment play a growing role in customer management activity, especially loan recovery and price formation, with a view to better knowledge among people of the several areas and generating synergies in commercial activity;
- creation of the Treasury Support Centre associated with the Companies network, the main objective being stimulation of the various sides of the cash-management products: collections, payments and transactions via portal;
- sponsorship of the 3rd annual conference on “Treasury and Risk Management for Companies” organised by *EuroFinance*, the world leader in organisation of events of this kind. It was attended by some of Portugal’s most important companies, which presented solutions they had implemented to transform their treasuries into value-creation centres, providing examples of cash centralisation, details of cash-pooling processes and cash-flow forecasting, risk-management strategies, financing alternatives and impacts of retirement pensions on companies’ cash;
- renegotiation of existing protocols with the Mutual Guarantee Companies, directed at matching them to the new reality of the financial markets and stimulating their use among the Bank’s internal structures, particularly through the creation of the specific credit line amounting to euro 100 million;
- participation in several business activity support lines launched by the Portuguese State and by the Regional Governments, with emphasis on the various lines – ”PME Investe”, “Azores Invest” and “Azores Companies”, and “SME Madeira” – and on the support for the agricultural sector and tourism;
- participation in events in articulation with the International Division and Chambers of Commerce, directed at strengthening ties with the Bank’s customers and opening up presentation of business opportunities in other markets, especially through work sessions organised by AICEP within the scope of the “ABC Markets” conferences.

The commercial activity of the Companies network is set to benefit from the expectations of a moderate economic recovery in 2010. The focus will be on judicious growth of loans and advances to better-risk companies, in line with adequate credit-risk management. The strategy will continue to focus on efficient capital consumption, on careful analysis of loans and on permanent attention to negotiating with customers instruments that provide effective risk mitigation, so diminishing the impact of impairment on operating income.

In this connection, continuity will be given to the commercial guidelines governing the use of international refinancing lines organised by the Bank with the European Investment Bank (EIB), leading to substantial advantages for the Bank’s funding and also in terms of support for companies in the development of productive investment projects.

Continuity will also be lent to the policy of growing proximity to the customers, supporting them in their day-to-day business, involving measures to head off possible difficulties and, at the same time, identifying potential business opportunities, with a view to increasing cross-selling and to generating greater profitability from the commercial relationships.

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Corporate & Investment Banking

The Corporate and Investment Banking segment includes: i) the Corporate network in Portugal, targeting corporate and institutional customers with an annual turnover in excess of euro 100 million, providing a complete range of value-added products and services; ii) the Investment Banking unit specialised in capital markets, providing strategic and financial advisory, specialised financial services – Project Finance, Corporate Finance, Securities Brokerage and Equity Research - as well as structuring risk-hedging derivatives products; and iii) the activity of the Bank's International Division.

The Corporate and Investment Banking segment increased 42.1% to euro 148.6 million in 2009, from euro 104.6 million in 2008. The performance of this business segment was determined by the positive evolution in net interest income and in other net income, together with cost reduction, which offset the impact of the higher level of impairment charges, as a result of the growth of impairment indicators in the loan portfolio.

The increase in net interest income reflects, on one hand, the rise in the volume of customer funds and, on the other, the discipline in the pricing policy and in risk management, in order to reflect, even partially, the increased cost of risk in new loans granted. These are being implemented progressively, resulting in an improvement in net interest margin from loans and term deposits, which more than offset the negative impact in net interest margin as a result of lower margin from demand deposits. Other net income includes the positive performance in net commissions, determined by the growth in commissions from demand deposits, from international syndicated operations, from structured products and from commercial paper.

Operating costs contributed positively, down from last year and showing sustained reductions as well as synergies related to the merger by incorporation process of Banco Millennium bcp Investimento into Banco Comercial Português.

Total customer funds were up by 18.5%, to euro 11,150 million as at 31 December 2009, from euro 9,406 million as at 31 December 2008.

Loans to customers amounted to euro 12,962 million at the end of December 2009, with a decrease of 1.3% from euro 13,131 million in the same date of 2008, due to reduction in factoring and guarantees.

Million euros

	2009	2008	Change % 09/08
Profit and loss account			
Net interest income	209.4	145.5	43.9%
Other net income	201.9	190.2	6.2%
	411.3	**335.7**	**22.5%**
Operating costs	73.2	89.0	-17.7%
Impairment	135.1	101.0	33.8%
Contribution before income taxes	**203.0**	**145.7**	**39.3%**
Income taxes	54.5	41.1	32.2%
Net contribution	**148.6**	**104.6**	**42.1%**
Summary of indicators			
Allocated capital	729	735	
Return on allocated capital	20.4%	14.2%	
Risk weighted assets	14,569	14,707	
Cost to income ratio	17.8%	26.5%	
Loans to customers	12,962	13,131	-1.3%
Total customer funds	11,150	9,406	18.5%

Corporate Network

The business of the Corporate network was significantly affected by the downturn of economic activity in 2009, notwithstanding the slight recovery seen during the second half of the year. The trend continued of postponement of investment projects that had been in progress since 2008 and, at the same time, the start-up of major public investment projects was also put back as a result of the uncertainty associated with the results of the general elections. Despite a slight improvement in financial markets' stabilization, liquidity restrictions still affect banking business, bringing about higher funding costs and increased risk, giving rise to a need for greater selectivity in the analysis of investment projects, contributing to a reduction of the banking leverage of projects and focusing on undertakings having a better balance between own and borrowed funds.

This background caused the Corporate network to adopt a commercial strategy based on application of the principal guidelines established at the end of 2008, with a focus on:

- attracting customer funds with a view to improving the Bank's position in commercial gap terms, seeking always to match service excellence with better preservation of the net interest margin;
- maintaining the policy directed at greater pricing discipline in terms both of spreads and of commissions, appropriate to the risk assumed and the better to safeguard the Bank's margins;
- careful management of credit, directed at growth in terms of profitability and of increasing collaterals, in an endeavour to optimise use of capital.

Also emphasised was the policy of growing proximity to the customers, of increasing importance in the current environment, looking to undertake close monitoring of their business, identifying possible signs of difficulties to allow the Bank to take preventive action and to detect future business opportunities. Another highlight is the creation of a Corporate Division specifically directed at monitoring those customers experiencing greater difficulties in their business activity allowing closer monitoring of the situation. The profile of those customers involved in international business was analysed and proposals were presented involving trade finance, cash management and export-portfolio management products. Participation in events supporting exports and internationalisation was encouraged.

During 2010 the Corporate network will continue to focus on efficiency in capital consumption, on careful analysis of loans and on permanent attention to negotiations with customers of instruments that effectively mitigate risk, thereby reducing the impact of impairment on operating profits. The policy of increasing cross-selling and diversification of income will continue, with a focus on those products that have greater potential in the current economic environment. Risk-control methodologies will be strengthened, especially in early detection of warning signs, and there will be greater proximity to undertakings in progress – more frequent contacts with customers – in a search for ongoing improvement of service levels. Priority will be given to the monitoring and control of past-due loans, with special attention being given to strict credit-risk analysis and adequate price definition in the light of the customer's risk profile and of the degree of protection of the transactions.

Investment Banking

August 31, 2009, saw the registration of the merger by incorporation of Banco Millennium bcp Investimento, S.A., into Banco Comercial Português, S.A. (BCP), the aim being that BCP will pursue investment banking business directly, promoting better conditions for the development of this business, its articulation with the Group's other business areas, greater operating efficiency and synergies gains.

The persistence of market instability, the increased importance given by customers to optimisation of their cash surpluses and, lastly, the restructuring of loans were the drivers of intense activity in the sale of treasury products, regarding cash products, as well as interest-rate, exchange-rate and commodity-price hedging derivatives.

The adverse economic environment and the instability of the financial markets affected mandates in the mergers & acquisitions (M&A) field, and for this reason corporate finance activity came to be centred more on the provision of financial advisory to customers and on rebalancing their capital structures and business portfolios.

In products linked to the equity markets the service was increased with distinctive offers and the certificates programme was enlarged with the issue and admission to listing of new Open End certificates – with no defined maturity – on several indices. Despite the high competition by national and international operators, the Bank maintained a market share of 7.7% in share brokerage on Euronext Lisbon during 2009. During 2009, emphasis is given to the takeover bids for VAA - Vista Alegre Atlantis, SGPS, S.A., and VA Grupo - Vista Alegre Participações, S.A., in which the Bank was joint global coordinator.

In the fixed-income area of capital markets the Bank played an active role in the organisation and setting up of bonds issues not only for national issuers – EDP (one billion of euros), Galp Energia (euro 750 million) and Millennium bcp itself (7 issues totalling euro 5.6 billion) – but also for international entities, such as the HSBC issue (euro 1.75 billion). The skill in structuring and setting up innovative, complex operations was reflected in joint leadership of two credit securitisation operations resulting from the tariff deficit, ceded by EDP, totalling euro 1.7 billion. Emphasis is also given to the organisation and setting up of commercial paper (euro 1.848 billion), and to the setting up and placement of structured products (euro 2.007 billion), including "Super Aforro Millennium" and "Rendimento Mais" structures (euro 1.050 billion).

During 2009, the Bank continued to play an active role in structured finance operations, with emphasis on its involvement as Mandated Lead Arranger in acquisition finance amounting to euro 88.5 million for a 24.19% stake in Lusoponte acquired by Mota Engil Concessões de Transportes, the syndicated loan for the acquisition by Explorer, a private equity company, of Gascan, a gas distribution company, an operation amounting to euro 28 million and, lastly, the club deal that supported the acquisition of Cintra Aparcamientos by Emparque, Portugal's leader in car-park management, an operation amounting to euro 450 million.

In the project finance area, the Bank took part as Mandated Lead Arranger in several operations both at home and abroad. Highlights include notable the loan amounting to euro 36.9 million to Eólica dos Candeeiros, Lda, for the construction and operation of a wind farm having a total installed capacity of 21.2 MW, and the loan amounting to euro 763 million for AENOR Douro-Estradas do Douro Interior, the concessionaire of the construction, widening and operation of a number of highways. Abroad, the emphasis is on the involvement in the financing of Megawatt

Baltica Sp z o.o. in the sums of zloty 289.9 million and euro 50.2 million, for the construction and operation of a wind farm in Poland, and the loan to NovEnergia II amounting to euro 21.7 million, for a photovoltaic park located in southeast Spain.

The macroeconomic and competitive environment for 2010 involves obvious challenges and opportunities for investment banking, cash-management and markets activities. While consolidation of the signs of an economic recovery, a gradual, orderly reduction of the budgetary and monetary measures of an extraordinary nature and a normalisation of the working of the financial markets may allow a recovery of the markets and a reactivation of a sustained flow of new operations, however the occurrence of an adverse scenario of a relapse of the financial crisis and persistence of market instability, or fragility of the economic recovery, will provide major opportunities, as was the case in 2009.

cerutil

Vista Alegre Atlantis

Takeover

€ 11.9 Millions

Financial intermediary of

Grupo Visabeira SGPS, S.A.

2009

Millennium investment banking

edp

EDP Finance BV

Bond loan

€ 1,000 Millions

Joint Lead Manager

e Joint Bookrunner

2009

Millennium investment banking

Iberwind Natural Efficiency

Wind parks

Portugal

Project Finance

€ 1,062 Millions

Mandated Lead Arranger

2009

Millennium investment banking

EXPLORER Investments

Acquisition of

Gascan

€ 28 Millions

Mandated Lead Arranger

2009

Millennium investment banking

Certificates

Dow Jones Industrial Average

€ 49 Millions

Issuer

2009

Millennium investment banking

edp

EnergyOn No. 1 Securitisation Notes

€ 1,258.6 Millions

Joint Arranger

e Joint Lead Manager

2009

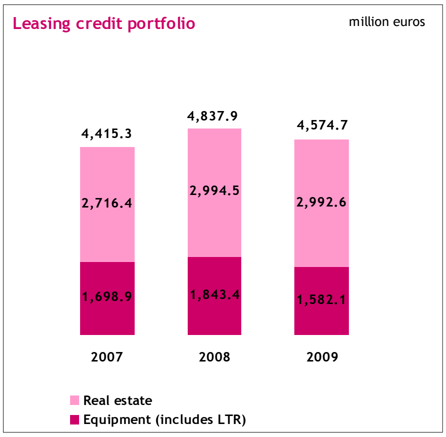
Millennium investment banking

Specialised Credit Division

The main strategic guidelines involved a focus on financing properties with a liquid market and assets with active secondary markets, on smaller transactions with better-risk customers, namely SME, generating cross-selling opportunities, and on adjustment of pricing, with clear differentiation for good risks. In pricing-policy terms, 2009 was marked by a significant effort to ensure adequate pricing of transactions, to the detriment of volume, to ensure its adequacy in the light of the risks incurred, to the consumption of capital and to the cost of funding. The aim was also to impose greater discrimination in the light of the customer risk and of the protection of the operations, bringing them into line with the Basel II rules.

Regarding the Specialised Credit Division notable activities include the enhancement of the measures of articulation and interaction with the units responsible for important segments of the business process. Here, the goal was to improve new-operations contracting and portfolio-management systems, as well as loan decision and recovery systems, through the assignment to the specialised credit area of operational and specific competences related with the business.

Throughout the year measures and campaigns continued, directed at fostering vehicle acquisitions by Retail customers, with emphasis on the offer of special conditions by the brands, including discounts on the prices of vehicles, allied to special financing conditions and the creation of exclusive financial products. Involving the offer of renting and of motor-loan products, and through agreements with the brands and dealer networks, the "Car of the Cycle" programmes were launched with Opel and Mitsubishi. Alongside the campaings, these constituted one of the principal factors underlying Retail's commercial drive.



New production in leasing and LTR amounted to euro 726 million, down by about 46.1% from 2008. Nevertheless, real-estate leasing performed more solidly, in line with or outperforming the market, with the Bank's share unchanged at about 23%. Insofar as equipment leasing is concerned, the Bank's market share fell 5 p.p. to 12.0%, driven by the significant effort to improve the pricing, while the Bank's led the market in financing new vehicles, with a share of 19.4% among the banking operators.

The leasing and LTR loan portfolio outstanding stood at about euro 4.4 billion, a decline of some 6.7% in year-on-year terms. Real-estate leasing saw a smaller reduction (-1.3%), now accounting for 65.9% of the total portfolio. In renting, the fleet under management amounts to around 12,200 vehicles.

Against this background, factoring's performance was more in keeping with the market's appetite for liquidity, with the Bank maintaining a market share of more than 23%, ensuring its leadership of this sector. Also notable is the significant increase of profitability, reflected in a share of income greater than its share of the business.

The streamlining of the Bank's structures included rationalisation of the Specialised Credit area. This involved integrating the leasing and factoring commercial areas charged with supporting and fostering the business through the Bank's network, the goal being to obtain advantages in terms of operating efficiency and in the interlink with the branches that will now have a single contact for the leasing, renting and factoring businesses.

The outlook for 2010 is one of improvement, though moderate, of the economy and the expectation is one of more dynamic activity in specialised credit. The Bank will focus on small and medium size deals and on an integrated approach by the leasing and factoring areas, centred on improving the quality of the service provided to the customers as a factor of differentiation. In this way the Bank's targets call for maintenance of its market share in the real-estate leasing, factoring and motor-loan products and for improvement in equipment leasing, in addition to ensuring greater profitability.

International Division

The International Division continued its strategy of commitment to closer relations with its client banks, and this was fundamental to the re-establishment of a climate of confidence, affected as it had been by the financial crisis. Activity was centered on careful selection of counterparties, ensuring quality service, cost control and minimisation of risks.

Attention is also drawn to the focus on contacts with banks of the Portuguese-speaking countries of Africa, North Africa, the Middle East and some Asian countries, increasing to 100 the bilateral co-operation agreements signed with first-rate banks extensible to the Millennium Group, involving the reciprocal offer of international trade products and services.

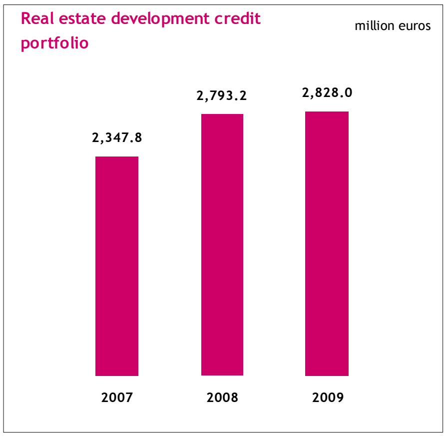
Credit lines were negotiated for the Group and agreements were entered into, particularly with the Asian Development Bank, for the Bank to join the Trade Facilitator Programme in the markets of the Asia-Pacific region, minimising risks, both commercial and political. The inclusion of Millennium Angola and Millennium Moçambique as issuing banks of the Trade Programme was also negotiated with the International Finance Corporation.

Offsetting the negative effects of the international financial and economic crises, emphasis is given in 2009 to the following business indicators: 16.7% increase to euro 104.9 billion of total institutional investor assets under custody; 42.2% market share of non-residents' assets under custody; 11.8% and 9.9% increases respectively of commercial payments received and issued, providing a 26.0% market share in Portugal.

The strategy of the International Division for 2010 will involve continuity of activity centred on negotiating credit lines, pricing discipline and risk minimisation. At the same time, the Division will continue its policy of negotiating products and services in new markets to offset the downturn of income caused by the introduction of the Payments Service Directive, the aim, in the final instance, being to attract and foster Trade business with a view to providing better service for Millennium Group customers.

Property Development Division

The Property Development Division has been reorganised in 2009. This involved adoption of a model based on property-development loan process management teams each comprising a manager and an assistant, making them more agile in their intervention in all stages of the process, which, because of its nature and transversality across all the Bank's networks, warrants specialised treatment.



Without prejudice to proper technical responses to new financial proposals for property developments and to specialised monitoring of the matching of the transactions under way, the Property Development Division continued its policy of matching the pricing of property-development loan operations to the respective risk. Measures have been taken directed at strengthening the operational and financial control of loans outstanding, and all property development loan processes have been scanned, which has made a major contribution to the improvement of service levels and of the operational risk.

With regard to property-development loans, 271 new contracts were entered into in 2009 amounting to euro 267 million, based on proposals corresponding to euro 917 million. Even so, the property-development loans portfolio balance reached euro 2,828 million, increasing slightly (1.3%) versus 2008. The margin on the portfolio also performed well, with an increase of 47 basis points.

The IT platform supporting the property-development loan process is scheduled for revision in 2010, creating conditions for efficiency gains and better articulation with the other organic units involved.

Private Banking & Asset Management

The Private Banking and Asset Management segment comprises the Private Banking network in Portugal and subsidiary companies specialised in the asset management business. The Private Banking and Asset Management segment registered a net contribution of euro 4.9 million in 2009, from euro 0.4 million in 2008. The net contribution reflects lower impairment charges and the lower level of operating cost, benefiting in particular from the decrease in other administrative costs as a result of the impact of initiatives implemented aimed at simplifying the organisation and improving procedures.

The decrease in net interest income in 2009 reflects the increased cost of funding, as a result of the volatility and uncertainty evidenced by financial markets and the narrowing of spreads from deposits, due to the strong competitiveness to further increase customer funds. The reduction of the average for customer funds spread more than offset the increase in net interest income, which was influenced by the rise in the volume of loans to customers and by the rise in loans average spread. The lower level of commissions recorded in 2009 was hindered by the unfavourable volume effect related to commissions from asset management and investment funds and by lower trading commissions.

Customer deposits were up 10.5% from 31 December 2008, allowing an increase of 0.7% in total customer funds.

Loans to customers amounted to euro 2,237 million as at 31 December 2009, a 10.5% growth from euro 2,025 million as at the end of 2008, sustained by the performance achieved in the Private Banking network in Portugal.

Million euros

	2009	2008	Change % 09/08
Profit and loss account			
Net interest income	37.3	40.1	-6.9%
Other net income	32.0	34.2	-6.5%
	69.3	**74.3**	**-6.7%**
Operating costs	42.3	48.9	-13.5%
Impairment	20.4	26.9	-24.0%
Contribution before income taxes	**6.5**	**-1.5**	
Income taxes	1.6	-1.9	
Net contribution	**4.9**	**0.4**	
Summary of indicators			
Allocated capital	67	86	
Return on allocated capital	7.3%	0.4%	
Risk weighted assets	1,348	1,711	
Cost to income ratio	61.1%	65.8%	
Loans to customers	2,237	2,025	10.5%
Total customer funds	7,328	7,277	0.7%

Millennium bcp private bankers

The Private Banking area's development vectors are based on a very clear focus on the customer, involving an open-architecture offer and an efficient, flexible structure contributing to the creation of value and to employee motivation and enhancement, essential to meeting the goal of strengthening the contribution made by the area to the overall results.

During 2009 the domestic market business units were concentrated and operations for the Southern Region were centered at the Rua Augusta building. As part of a concerted cost-cutting effort and to put together private bankers and investment specialists, the Wealth Management Unit (WMU), previously based in London, was transferred to Portugal.

During 2009 the business was positively affected by the upturn of the financial markets. The main repercussions on the business were as follows:

- appreciation of assets under management through the price effect;
- continuation of the recomposition of the assets under management portfolio, with increased demand for safe-haven assets, with a positive effect on the volume of balance-sheet funds but a negative one on commissions;
- partial upswing of the over-the-counter (OTC) products market, with a slight impact on trading activities, on liquidity and on the appreciation of assets in customer portfolios;
- need for an enormous commercial effort in monitoring customers in a particularly adverse environment;
- need to safeguard the quality of the loan portfolio with financial collateral and to reprice loans in the light of higher funding costs;
- reduction of international credit as a result of the financial deleveraging.

The major lines of action in 2009 were centered on:

- attracting new customers, further increased by the assignment of a specific commercial team and by the upgrading of Retail network customers;
- adaptation of financial instruments marketing procedures to the new legal requirements stemming from the transposition to Portuguese law of the Markets in Financial Instruments Directive (MiFID) and of employee qualifications with a view to improving their advisory skills;
- strict application of compliance rules;
- adaptation of legislation to the duty of informing the customer;
- development of management tools to improve monitoring of commercial activities and of business opportunities in the pipeline;
- process re-engineering and a review of delegated responsibilities, directed at improving efficiency;
- focus on generating new business using an integrated value proposition for asset management and investment advisory, anchored on a dedicated structure aiming at substitute business areas that will be discontinued.

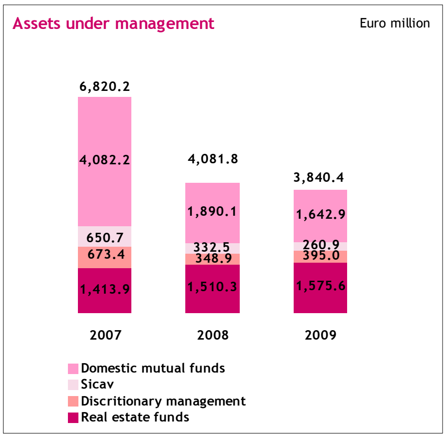
Within the context expected for 2010 the key factors in ensuring the development of the business and market-share gains are:

- proximity to clients through large numbers of contacts;
- disciplined, proactive advisory centered on simple products suited to a climate of strong risk aversion, though keeping a watch for any start to a new stage of the investment cycle;
- ongoing, structured effort to attract business through the launch of an intensive stimulation programme;
- strict control over the loan-portfolio risk;

- continuation of the commercial focus on markets complementing the onshore platform and the ethnic markets, and discontinuation of presence in markets having little critical mass;
- cost management, through matching the staff of each team to the business potential;
- regular monitoring of customers portfolios in the light of risk profiles;
- improving the skills of the investment advisors and their involvement in each of the business structures;
- retaining and motivating staff.

Asset Management

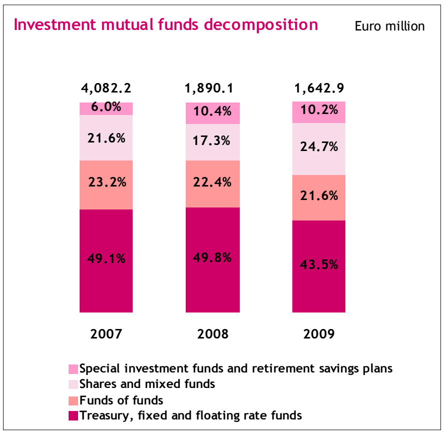
The main objective of the Asset Management area consists of managing products that provide returns suited to the differing risk profiles of Millennium bcp customers and generate value for the Banks tha place the mentioned products. Asset Management's activity is also directed at contributing to the association of the Millennium brand with quality. The strategy employed to meet this goal is based on a successful focus on funds of greater added value, that is, those that, in the medium and long term simultaneously present greater development potential for the subscriber and greater returns for the management company. This rationale includes the equity funds and the funds of funds categories.



In the specific area of closed-end, private subscription real-estate investment funds the strategic goal is consolidation of the Bank's leading position in this market by offering Millennium bcp customers specialised products and services suited to the individual corporate reality, based on a flexible, highly specialised structure.

The Asset Management area also intends to improve the knowledge and technical skills of its team and of all the Millennium bcp commercial personnel involved in sales and customer support.

During 2009 the mutual funds activity began a period of recovery following the worst year ever recorded by the Asset Management industry, 2008, a year in which assets under management dropped by more than euro 11 billion. Total assets under the management of the national mutual funds industry grew by 20.1% in 2009, rising from euro 14.344 billion in 2009 to euro 17.232 billion.



Total domestic mutual funds assets under Millennium bcp management fell from euro 1.890 billion to euro 1.643 billion at the end of 2009, a decline of 13.1%, providing a market share of 9.5%.

Nevertheless, Millennium Asset Management remained the leader of three fund segments of high added value: equity funds, *ex aequo*, with a market share of 25%, and funds of funds, floating-rate notes with a market share of 33% and fund of funds with a market share of 56%

As far as fund management performance is concerned, at the end of 2009 three Millennium funds ranked first for performance (accumulated figures for the year): Millennium Bonds Europe; Millennium Europortfolio; and Millennium Equities America.

Funds domiciled in Luxembourg amounted to euro 261 million at the end of 2009, down 21.5% as a result of a lack of investor confidence in the performance of the capital markets.

Despite the adverse environment, real-estate funds outperformed the previous year by 4.3%, to stand at euro 1.576 billion, with the private-subscription investment funds amounting to 511 million, a 13.7% increase over the previous year.

Interfundos – the real-estate investment fund management company fully owned by Millennium bcp - currently manages a total of forty-eight closed-end, private subscription real-estate investment funds, providing a market share of 17.5% and is currently the market leader in terms of net assets under management.

In a year marked by a continuation of little real-estate activity, Interfundos centered its efforts on two priority areas, namely, the launch of a commercial action plan and training of the Millennium bcp commercial teams and technical structures. As a result of this strategy Interfundos consolidated its position of leadership by setting up two new real-estate investment funds and through the transfer of a third from another management company, and it also realised and prepared capital increases in four funds under management.

As a result of the worsening performance indicators of some of the property developments undertaken by real-estate funds, Interfundos implemented during the year greater control over the management of the works, appointing an employer's representative to monitor directly the evolution of the projects on site.

The discretionary management business area, known as the Millennium Asset Management Division, also increased its turnover, which amounted to euro 395 million, returning a 13.2% growth compared to 2008. This growth reflects the quality of the offer, as well as the strong commercial dynamics focused on an offer based on insurance launched in mid 2007. This product returned a growth of approximately 40% in 2009. At the end of the year Asset Management had a portfolio of assets under management totalling euro 3.874 billion, 5.1% less than in December 2008.

Within the scope of the restructuring of the Asset Management business model, the new company name of Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A., was adopted in May 2009, as was the new Millennium bcp Gestão de Activos brand. This company manages the principal bond funds as well as the Millennium Real-Estate fund.

With regard to the Millennium SICAV, Millennium Sicav European Equities was formally wound up since it was not viable in the light of its small size. On the other hand, during the last quarter of the year, a start was made to marketing the Millennium Sicav Eurozone Equities and Millennium Sicav UK Equities sub-funds on the Greek market, and the respective classes were opened for retail investors.

The rationalisation of the funds on offer, begun in 2008, continued, and the Millennium World Equities fund was merged with the Millennium Dynamic Management, while the Millennium Retirement & Income PPRE fund was wound up as provided for at the time it was set up.

With regard to fostering commercial activity, an option was taken to alter temporarily the pricing of the equity funds, with exemption from subscription or cash charges with a view to adapting better to the competition in the marketplace. Two campaigns were launched during the 4th quarter, directed at stimulating sales, under advantageous conditions: on the one hand in respect of the AF Real-Estate Portfolio (open-end real-estate funds); on the other, the Millennium PPR (retirement savings) funds suited to differing risk profiles (Millennium Aforro PPR, Millennium Poupança PPR and Millennium Investimento PPR Equities).

In an ongoing effort to determine measures leading to improved returns for the fund and the management company, the price list was revised with the depositary bank in Luxembourg and a reduction of custody fees was obtained, providing in 2010, greater returns for investors in the sub-funds. The substitution of the Management Company in Luxembourg, approved in November 2009, will also contribute to optimisation of results through the savings achieved in the management company's management fees.

The national mutual funds industry continued to undertake a process of bringing the structure of national savings into line with the more-evolved European markets, in which the relative weight of the classes of assets of greater risk is far greater than that in Portugal. During 2009, the weight of what are known as low-risk funds (Cash and Indexed Rate) fell to about 28% of the total, compared to a weight of 47% at the end of 2007. Insofar as real-estate funds are concerned, and despite the negative macroeconomic environment that marked 2009, in which a lack of liquidity persisted associated with difficulties in accessing credit, the property market was more dynamic during the 2nd half.

The performance of the financial markets in 2010 involves a major degree of uncertainty, particularly with regard to the more cyclic asset classes. The first half of 2010 can be expected to see an increase of fund management capacities and specialisation, a strengthening of the teams that provide support to the commercial networks and renovation of the offer of investment funds ahead of the new regulations being prepared in the European Union, and the trends and dynamism of the global market.

As far as Interfundos is concerned, the moderate GDP growth prospects for 2010 and a real-estate market that continues to be characterised by excess supply in most segments, provide prospects of a continuation of a particularly difficult post-recessionary period, though with opportunities in the property market. Interfundos will seek to maintain its position of leadership through a number of deals in its portfolio. Clarification of the legal point of view through the new regulations in terms of urban rehabilitation, enacted in 2009, would appear to give rise to new opportunities to set up urban-rehabilitation investment funds, in the light of the interest expressed by a number of estate agents. On the other hand, the economic restructuring of a significant number of real-estate projects likewise provides good prospects of new real-estate funds.

In each of its areas of activity, Asset Management will continue to make efforts to generate greater synergies, intensifying the relationship with the commercial networks through business promotion campaigns directed at sharp growth of business in 2010.

ActivoBank7

During 2009 ActivoBank7 remained an online, complete-service bank focusing on investment solutions and provides its customers, in an open-architecture environment, with access to financial products, services and information best suited to their needs and to market conditions.

Following a year that had been particularly penalised by poor markets' performance, there was an upturn of investor confidence in 2009, especially as from the end of the first quarter, an increase in demand for investment funds and a direct move by investors into the stock market, two of the Bank's main business lines.

Against this background, the Bank followed a strategy of converting term products into its core products: investment funds and stock market related services. For the purpose it provided the most up-to-date information to support its customers' investment decisions and it provided those products best suited to market conditions.

Customers with a more conservative risk profile were served by means of a permanent offer of term products under very competitive conditions, in line with market practice, in addition to permanent provision of a range of structured and guaranteed-capital products.

Of the initiatives promoted throughout the year, eight investment fund campaigns stood out. Launched at a time of an upturn of the capital markets, these provided the most appropriate conditions at the time. Aware that 2009 was still a year of some uncertainty as to the evolution of the markets, ActivoBank7 actively promoted contacts with its customers exposed to the more volatile investment funds, providing advice on the advantages of diversification.

In structured products there was a permanent offer, also in an open-architecture environment, of guaranteed-capital products as interesting investment alternatives for the Bank's customer base.

The site's technological platform was updated, improving the quality of the customers' contact with their Bank. Additionally, and also directed at increasing customer proximity to the Bank, commercial activity policies were drawn, designed to ensure a minimum number of contacts between the Bank and its customers.

The regulations governing the sector were strengthened throughout the year, the Bank having ensured their implementation in full.

The better macroeconomic environment and greater investor confidence, particularly as from the end of the first quarter, allowed the financial assets deposited with the Bank by the customers to increase by about 16% compared to the end of 2008, mainly underpinned by securities deposited (up 55.2%), investment funds (up 44.3%) and on demand deposits (up 42.6%).

ActivoBank7 Million euros

	2009	2008	Chan. % 09/08
Total assets	239.4	265.6	-9.9%
Loans to customers (net)	26.4	20.6	28.5%
Customer's funds	380.7	363.1	4.8%
On demand deposits	56.7	39.7	42.6%
Term deposits	154.7	198.2	-22.0%
Investment funds	144.8	100.3	44.3%
Capitalization insurance (includes unit linked)	24.5	24.8	-1.3%
Structured products and bonds	27.7	28.3	-2.2%
Deposited securities	170.3	109.7	55.2%
Operation income	6.1	9.0	-32.6%
Operation costs	6.6	8.0	-17.2%
Impairment and provisions	0.1	-0.2	156.7%
Net income	-0.5	0.6	-181.2%
Market share			
Foreign investmet funds (1)	17.5%	19.3%	-1.80 p.p.
Stock exchange (online transactions) (2)	8.9%	12.1%	-3.20 p.p.
Employees	67	67	-
Percentage of share capital held	100.0%	100.0%	-

(1) In the 2009 column market share regards the 3rd quarter of 2009 (last data released by CMVM).

(2) In the 2009 column market share is accumulated until August of 2009 (last data released by CMVM).

Market instability at the end of 2008 and early 2009, and the strong competitive pressure felt during this period gave rise to implementation of a strategy to preserve capital at the Bank, particularly the capital generated by cashing-in investment funds and the departure of customers from the stock market, implying a significant reduction of the margin rates on term deposits, reflected above all during the 1st half of 2009.

This evolution was aggravated by the abrupt, sharp fall of market interest rates, with a direct impact on net interest income generated by customer's on demand deposits, notwithstanding their growth by volume, leading to a significant decline of net interest income and, consequently of operating income.An attitude of permanent optimisation of costs continued in place, and the Bank's operating costs fell by about 16%.

At the year-end, ActivoBank7 returned a loss of about euro 0.5 million, essentially stemming from the downturn of net interest income generated by deposits.

During 2010 ActivoBank7 will focus on attracting new customers. For the purpose, a number of innovative measures will be implemented, with a focus on quality and on simplifying the process of accessing the Bank and its services. In this connection, consideration will be given to opening new points of contact with customers and there will be a review of the Bank's service of excellence, complementing it through the provision of simple products suited to most of the financial needs of the customers. Finally, constant technological evolution will allow the introduction of innovative products and services, and an analysis will be performed of a move into new business lines especially directed at those customers who make use of services linked to stock-market business.

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Foreign Business

The Foreign Business segment comprises the operations outside Portugal, in particular Bank Millennium in Poland, Millennium bank in Greece, Banque Privée BCP in Switzerland, the Banca Millennium in Romania, Millennium bim in Mozambique, Banco Millennium Angola in Angola, Millennium bcp Bank & Trust in the Cayman Islands and Millennium bcpbank in the United States of America.

In Poland the Group is represented by a universal bank offering a wide range of financial products and services to individuals and companies, in Greece by an operation based on innovative products and services and in Switzerland by Banque Privée BCP, a platform of Private Banking under Swiss law, and in Romania with an operation focused on individuals and small and medium-sized companies. Additionally, the Group is represented in Mozambique by a universal bank targeting both companies and individual customers, in Angola by a bank focused on private customers and companies and public and individual institutions, in Cayman Islands by Millennium bcp Bank & Trust in Cayman islands, a bank designed for international services in the area of Private Banking clients with high net worth (Affluent segment), and in the United States of America by a global bank that serves the local population and, in particular the Portuguese-speaking community.

The net contribution from the Foreign Business segment totalled euro 11.8 million in 2009, from euro 123.1 million in 2008. This evolution reflects the drop in net interest income, in particular in the activity in Poland, and the higher impairment and provisions charges in all international operations, reflecting the increase in the loans portfolio and the increased need for coverage of signs of impairment of the loans portfolio. Operating costs showed a reduction, as a result of the efforts made to streamline structures, in particular in the activity in Poland. Nevertheless, the results from international operations were positively influenced by the favourable evolution in net income in the subsidiary companies in Angola and in Mozambique.

The net interest income performance reflects the unfavourable interest rate effect, as a result of more narrow spreads for term deposits, mainly due to strong competition in capturing customer funds, and by the positive volume effect registered in most international operations, in particular customer deposits and loans to customers. Highlights include the rise in net interest income in the activities in Angola, in Mozambique, in Romania and in Greece, which was sustained by the increase in business volumes.

Operating costs showed a reduction, benefiting mostly from the reduction in staff costs and in administrative costs in the operations in Poland, which more than offset the higher operating costs in the activity in Angola and Mozambique, related to the strategy of organic growth carried out in these international operations, materialised in the expansion of the distribution network, and consequently in the increase in the number of employees.

Loans to customers were up by 3.3% to euro 16,270 million as at 31 December 2009, boosted by the performance of loans to individuals, and reflecting the growth in Angola, Mozambique, Greece and Romania.

Total customer funds increased 5.9% to euro 16,199 million as at 31 December 2009, driven by a 3.5% increase in customer deposits.

Million euros

	2009	2008	Change % 09/08
Profit and loss account			
Net interest income	401.1	509.7	-21.3%
Other net income	383.2	391.8	-2.2%
	784.3	**901.5**	**-13.0%**
Operating costs	561.6	639.6	-12.2%
Impairment	193.6	103.6	86.9%
Contribution before income taxes	**29.1**	**158.3**	**-81.6%**
Income taxes	17.3	35.2	-50.6%
Net contribution	**11.8**	**123.1**	**-90.4%**
Summary of indicators			
Allocated capital	1,081	1,056	
Return on allocated capital	1.1%	11.7%	
Risk weighted assets	14,381	15,221	
Cost to income ratio	71.6%	71.0%	
Loans to customers (1)	16,270	15,758	3.3%
Total customer funds (1)	16,199	15,297	5.9%

(1)Excluding Millennium bank Turkey in 2009 and, for comparative purposes, also in 2008.

European Banking

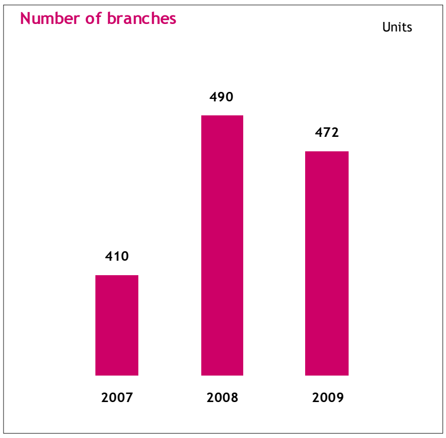
Poland

Bank Millennium is a universal bank of national scope that, in conjunction with its subsidiaries, offers a vast range of financial products and services to individuals and companies. Leveraged by a renewed network of 472 branches, Bank Millennium is one of the Polish market's main operators, holding a leading position in retail banking supported by an efficient sales industrialization platform and by the growing notoriety of the Millennium brand.

The year under review was a particularly difficult one both for Bank Millennium and for the Polish banking system in general, essentially the result of the slowdown of GDP growth, the increase of the unemployment rate, the limited availability of sources of funding – with the exception of deposits and of parent companies' support – and the depreciation of the zloty against the major currencies, partially reversed during the second half of the year. These factors significantly affected the Bank's income base and, at the same time, increased the cost of risk.

GDP slowdown was reflected in a reduction of demand for credit, further aggravated by the poor financial situation of Polish companies, leading to a deterioration of the quality of the loans to companies portfolio and contributing to the increase of the unemployment rate. This, in turn, had a negative impact on the quality of the consumer credit portfolio. The scarcity of liquidity significantly conditioned Bank Millennium's business in 2009. With the domestic and international financial markets practically closed during the year, the competition for deposits, via pricing, intensified, particularly in term deposits, contributing to a reduction of the Bank's net interest income. The zloty stayed relatively weak during a significant part of 2009 which put pressure on liquidity – since a large part of the Bank's portfolio in foreign currency is covered by swaps, the Bank has to allocate a greater amount of zloties to obtain the same amount of foreign currency . On the other hand, this had a direct effect on results owing to the higher level of impairment as a result of the inability of several customers to fulfil their obligations related with foreign exchange derivatives contracts.

From 2006 to 2008 the Bank was able to combine strong business growth with sustained improvement of profitability; however, considering the severe implications for the banking industry caused by the profound changes on market conditions since the 4th quarter of 2008, the Bank has been obliged to adjust its business model rapidly. In a very short period of time, Bank Millennium prepared and presented to the market, in February 2009, a new strategy for 2009-10, called Millennium 2010. The time horizon of the new strategy was relatively limited due to the considerable uncertainty associated with the unprecedented turmoil on the financial markets. The main vectors of the Millennium 2010 strategy consisted of: (i) strengthening the Bank's retail business based on the branch network; (ii) focusing the business on the companies segment related with SMEs; (iii) increasing efficiency and strict cost control; and (iv) implementing more conservative risk management principles.



Taking into account the negative impact on the Group's income base, arising directly and indirectly from the international financial crisis, especially from higher cost of funding, the termination of extending credit denominated in foreign exchange and the significant restrictions imposed on the sale of derivative products to customers, the Bank decided to pay particular attention to the development and implementation of several measures to optimise core income, both in retail and in the companies banking area. The more important measures consisted of reducing the interest paid on deposits, repricing the companies loan portfolio in accordance with the new market conditions, and adjusting the commissions on the various products and services, adopting a more rigorous policy. Taking into account the liquidity restrictions and the higher cost of risk, Bank Millennium decided to refocus its retail commercial activity on the branches network, having discontinued the external sales force dedicated to the sale of credit cards, significantly cut back the sales team dedicated to mortgage loans, which was partially integrated into the branches, and reduced the number of brokers with which the Bank co-operated. The companies banking area was also subject to reorganisation, leading to a significant simplification of its structure.

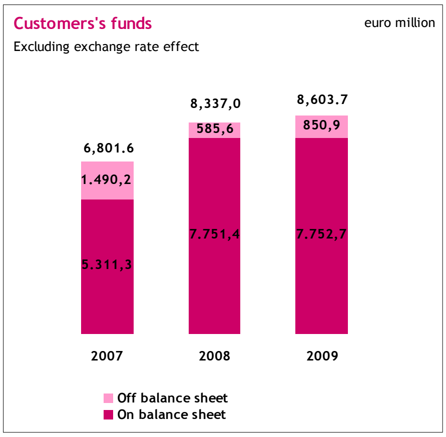
During the first quarter of 2009 the Bank was particularly involved in the simplification of its organisational structure, adapting it to the new strategy. These measures led to the merger of several divisions, departments and teams, causing a simplification of the organisation, with a reduction of the hierarchy levels and, at the same time, an increase of control span.

In a context of highly penalized income level, the Bank established ambitious cost-cutting goals, consisting of a reduction of zloty 200 million in administrative and staff costs by the end of 2010. With regard to administrative costs, a dedicated team was set up to identify and implement several cost-cutting measures in various areas, such as marketing, mail, car fleet, travel, office equipment materials and telecommunications. The reduction of staff costs was achieved both through a sharp reduction of variable remuneration, in line with the decline on profit, and also through a reduction of headcount induced by the adjustment to the level of business and by the major gains of efficiency in the principal business and operational processes, as a result of implementation of activity value analysis (AVA methodologies) and of systems simplification.

Against a background of highly turbulent financial markets and a high degree of uncertainly, risk management was viewed as a fundamental priority for Bank Millennium in 2009. With regard to credit risk, despite the deterioration of the loan portfolio, especially in connection with loans to companies, leasing and consumer credit, seen across the board in the Polish banking industry, the Bank's level of loan impairment was lower than the industry average, underpinned as it was by a higher percentage of collateralised loans, mortgage loans in particular, by more restrictive criteria in extending credit and by the use of early warning signs in the management of the loan portfolio.

In view of the severe limitations in obtaining external funding, the Bank decided that the growth of the loan portfolio ought to be kept in line with the growth of balance sheet funds, deposits in particular. This decision was taken in the wake of the measures implemented at the end of 2008, particularly the termination of granting mortgage loans denominated in foreign exchange and the limitations imposed on new loan contracts with companies and leasing in foreign exchange. In parallel, the Bank continued its efforts directed at obtaining additional medium- and long-term funding. In this regard, it is worth mentioning the support received from Millennium bcp, which, in March 2009 granted a senior loan amounting to euro 200 million and, in June 2009, a stand-by credit facility in the sum of euro 200 million. In November 2009, Bank Millennium concluded an agreement with the European Bank for Reconstruction and Development (EBRD) involving a medium-term loan amounting to euro 100 million to support the business of extending credit to SMEs. All these transactions allowed the Bank to maintain a stable liquidity position and, simultaneously, to be compliant with solvency ratios. On the other hand, the Bank benefitted from greater availability and lower cost of currency swaps during the second half of 2009, having concluded several transactions with maturities between 5 and 10 years, which contributed to increasing the stability of the sources of funding denominated in foreign exchange.

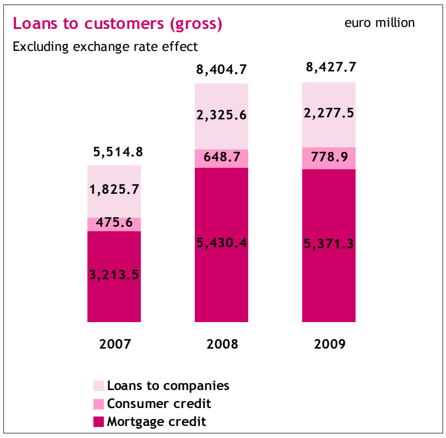
With regard to the market risk the Bank adopted a conservative approach, involving introduction of significant restrictions to the sale of exchange derivatives to its customers. As from the third quarter of 2008, the sale of cash products was especially limited to transactions at sight, and short-term as well as to plain vanilla bonds and simple structured loans.



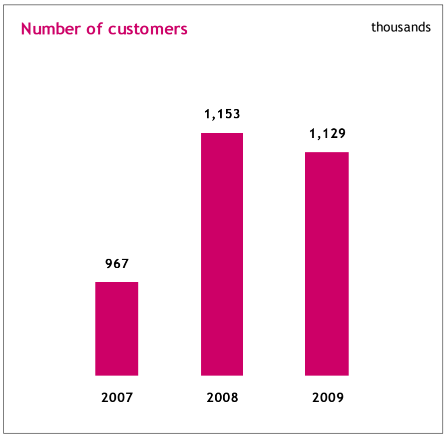
Business in the retail segment in 2009 was severely conditioned by the turmoil on the financial markets. Total deposits of individuals fell in comparison with the end of 2008 as a result of the Bank's decision, taken in the middle of the year, to give priority to protection of net interest income in view of the adverse effects of the "price war" in term deposits within the Polish market. Even so, emphasis is given to the significant growth of the value of savings accounts, thanks to their attractive combination of return and flexibility. With a view to minimising the impact of the "price war" on term deposits and, at the same time, to protect market share, Bank Millennium exploited the potential of capital-guaranteed structured products. Also with regard to balance sheet funds, the Bank continued to offer its affluent-segment customers guaranteed structured bonds indexed to the performance of commodity and equity indices, with maturities of between 2 and 3 years. During 2009 the Bank organised over 26 subscriptions totalling zloty 160 million. During the last quarter of the year, taking advantage of the first signs of recovery of the equity market, Millennium Bank relaunched "Super Duet", a product combining a term deposit with investment in mutual funds. The progressive stabilisation of the financial during the second half of the year, increased Retail customers' confidence, and they began to transfer part of their savings to mutual funds. As a result, the mutual funds portfolio managed by Millennium TFI increased by more than 45%, compared to the end of 2008.

With regard to mortgage loans the business slowed significantly as a result of falling demand for credit and of the Bank's decision to grant loans only in local currency in 2008, contrary to several competitors that continued to extend credit denominated in Swiss francs and euros. Even so, Bank Millennium continued to be one of the main operators in mortgage loans, with a market share greater than 10%. The consumer credit portfolio continued to increase, rising to zloty 3 billion, being the main source of the Bank's Retail banking revenue. This growth is associated with the success of the promotion campaigns involving pre-approved credit limits for the existing customer base, calculated on the basis of behavioural scorecards. Insofar as credit cards are concerned and despite the reduction of the number of these cards placed with customers' as a result of the discontinuation of the external sales force, active management of the credit card portfolio and the focus on measures designed to encourage their use led to a significant increase of the volume of transactions. This allowed the Bank to maintain a leadership position in this business area, with a market share of 8.8%. The debit card portfolio broke through the 800 thousand barrier, and attention is called to the launch of the new Maestro debit card, with its innovative characteristics, such as the ability to budget and control spending using an application known as Finance Manager and the possibility of determining a monthly spending limit which, allows the card-holder to receive a text message advising that the limit has been exceeded.

During 2009 the Bank paid special attention to strengthening its relations with the present customer base, both through constant improvement of service quality and also through an increase of cross-selling, taking into account its strong correlation with customer loyalty and, consequently, with income. Several measures were successfully implemented leading to an increase of the cross-selling ratio from 3.03 to 3.22 products per customer at the end of 2009. Bank Millennium continues its multi-channel approach complementing personal contacts at the Bank's branches, involving telephone and Internet banking having Bank Millennium's online banking service - Millnet – having been distinguished for the fifth straight year as the Best Consumer Internet Bank in Poland. Also warranting attention is the success of the digital statement campaign.



The slowdown of the Polish economy, which had a negative effect on the financial situation of Polish companies, had a decisive influence on Bank Millennium's business in the companies segment in 2009, particularly with regard to extending credit. Reduction of demand for credit, the more conservative approach to risk and the liquidity restrictions, which conditioned involvement in major transactions, were reflected in a significant decline of the volume of new loans. Nevertheless, one should underscore the good performance of factoring, in which the volume of billing rose by 25%, and the volume of credit by 92% when compared to 2008, reflecting the considerable increase of customer's number. As far as leasing is concerned, despite the significant decline of new production volume, essentially in line with the drop in investment and with the more conservative approach to risk, Millennium Leasing continued to be a major operator in the Polish leasing market with a share of 5.7%. Regarding customers funds, the Bank was successful in increasing the volume of companies' deposits, which played a fundamental role in liquidity management, notwithstanding the negative impact on net interest income owing to the high interest rates paid on the Polish market. The limitations on the sale of foreign exchange derivatives to customers and the clear reduction of the volume of currency transactions, in line with the decline of the import/ export business of Polish companies, also conditioned the income of the Companies segment. Bearing in mind the higher cost of funding and the increase of the credit risk, a significant part of the commercial teams' activity, particularly during the first half of the year, was directed at repricing the loan portfolio. The success of this, allied to the updating of commission pricing, was particularly important in partially mitigating the negative effects on income.



The higher cost of term deposits, the rates of which were clearly higher than the market reference rates during the year, the increase of liquidity swap costs and the sharp downturn of foreign exchange income, caused by the end to granting mortgage loans denominated in foreign exchange significantly conditioned Bank Millennium's income in 2009. These negative impacts were partially offset by the increase of the various types of income, especially the margin on consumer credit and on loans to companies, as well as the increase of cards and current accounts related fees. Total income fell by 21% compared to 2008. However, on analysing the performance of income on a quarterly basis a trend of recovery can be seen. Results for 2009 were also considerably affected by the increase of the cost of risk, driven by the slowdown of the Polish economy, by the increase of unemployment, and by the worsening of the financial condition of Polish companies, including the inability of several companies to meet their obligations connected with foreign exchange derivatives. Provisions charged in 2009 were up threefold over the 2008 figure. The negative effects of the reduction of income and of the increased provisions were attenuated by the remarkable performance of operating costs, which fell 14% in 2009. This reduction occurred despite the increase of branches and a weaker zloty, which brought about an increase of some costs expressed in foreign currency, especially rents and IT contracts. Benefiting from strict management of its costs base, Bank Millennium was successful in meeting and even exceeding the cost-reduction goal of zloty 200 million by the end of 2009, a year ahead of the deadline.

Management of the capital base was a constant challenge throughout 2009. The Bank's decision to retain 100% of the 2008 net income, the revision of risk-weighted assets, the adoption of significant restrictions in respect of involvement in big loan transactions and the reduction of capital requirements for the market risk, allied to the maintenance of the loan portfolio, allowed Bank Millennium to increase its solvency ratio from 10.2% at the end of 2008 to 11.3% at the end of 2009. The Tier I ratio also increased, up from 7.9% at the end of 2008 to 8.9% a year later.

Bank Millennium - Poland Euro million

	2009	2008	2007	Chan.% 09/08	2008	Chan.% 09/08
					excluding FX effect	
Total assets	10,942.6	11,341.0	8,495.9	-3.5%	11,476.3	-4.7%
Loans to customers (gross)	8,427.7	8,305.6	6,299.0	1.5%	8,404.7	0.3%
Loans to customers (net)	8,158.1	8,125.2	6,129.7	0.4%	8,222.2	-0.8%
Customers' funds	8,603.7	8,238.6	7,768.7	4.4%	8,337.0	3.2%
Of which: On Balance Sheet	7,752.7	7,659.9	6,066.6	1.2%	7,751.4	0.0%
Off Balance Sheet	850.9	578.7	1,702.1	47.0%	585.6	45.3%
Shareholders' equity	679.1	677.7	701.2	0.2%	685.8	-1.0%
Net interest income	137.2	266.6	203.7	-48.5%	214.3	-36.0%
Other net operating income	197.7	260.7	247.5	-24.2%	209.5	-5.6%
Operating costs	234.5	339.9	279.3	-31.0%	273.2	-14.2%
Impairment and provisions	100.0	38.5	17.6	159.4%	31.0	222.7%
Net income	0.3	117.9	121.8	-99.7%	94.8	-99.6%
Number of Customers (thousands)	1,129.1	1,153.1	966.6	-2.1%		
Employees (number)	6,245	7,049	6,067	-11.4%		
Branches (number)	472	490	410	-3.7%		
Market capitalisation	993.1	588.8	2,748.3	68.7%	595.8	66.7%
% of share capital held	65.5%	65.5%	65.5%			

Source: Bank Millennium

FX rates:

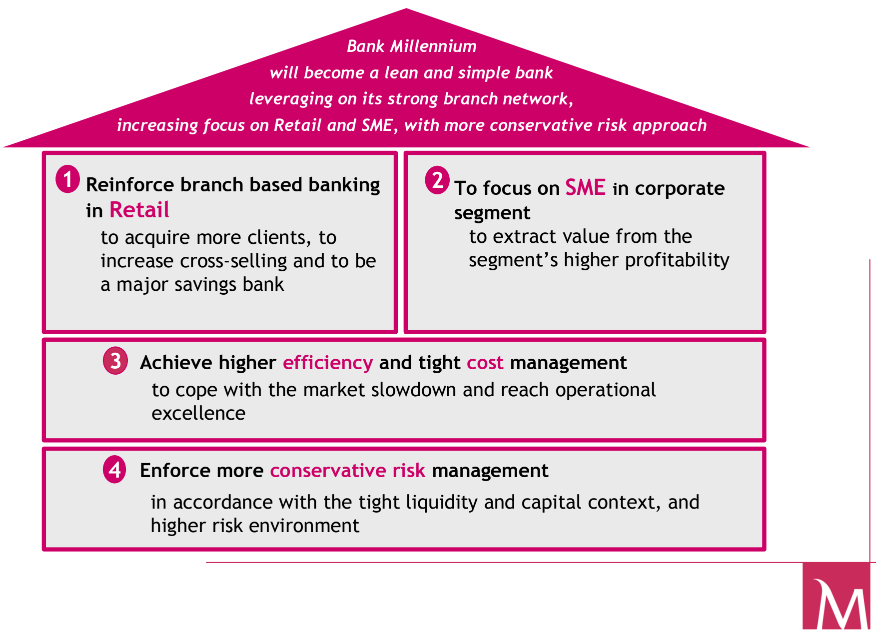
Balance Sheet 1 euro =	4.1045	4.1535	3.5935	zlotys
Profit and Loss Account 1 euro =	4.36182083	3.50572917	3.7888	zlotys

HavGing devoted the first three quarters of 2009 to internal reorganisation, Bank Millennium is currently in a position to go back to growth of its business based on a simplified operating model, one that is agile and efficient in terms of costs, on a realigned commercial platform, on higher sustainable income, on a sharp focus on results and on an improved risk profile and a comfortable capital and liquidity position. At the time of its presentation of results for the third quarter of 2009, the Bank announced a new strategy and new financial and commercial targets to be achieved by 2012, in conjunction with an increase its share capital through the issue of new shares reserved to shareholders to support the growth of the business in the coming years, and which increased the capital ratios, Total and Tier I, to 14.7% and 12.2% at the end of 2009, proforma.

The Bank's main objective for the coming years is to return to profitable growth of the business, with a strong focus on sustainability. In this connection, the Bank's main ambitions consist of: (i) achieving a position in the top 5 of the Polish banking system, with a position of leadership in retail and a relevant presence in commercial banking; (ii) achieving a sustainable profitability level comparing favourably with the better performing banks of its peer group; (iii) developing a highly efficient operation and, at the same time, establishing a high standard in terms of customer service quality; (iv) maintaining a solid capital structure, with a strong risk management profile to underpin future growth; and (v) strengthening the Bank's market position on the basis of lasting relations with its stakeholders. To bring about these ambitions the Group's goals for 2012 involved an RoE of approximately 15%, a cost-to-income ratio below 60%, a capital-adequacy ratio comfortably above the regulatory minimum and a loans-to-deposit ratio close to 100%. With regard to the business, the Bank has set up ambitious medium-term objectives, in particular achieving 1.5 million active customers (1.1 million at the end of 2009) and increasing its market share in retail deposits and loans to companies to 7% (5.5% at the end of 2009) and 5% (3.0% at the end of 2009) respectively.

On 8 February 2010, was successfully concluded Bank Millennium's capital increase amounting approximately euro 258 million. As previously announced, Banco Comercial Português, S.A. exercised its pre-emptive rights. The remainder of the rights issue was fully subscribed, with the shares available to minority shareholders being almost four times oversubscribed. The proceeds of the capital increase will allow Bank Millennium to support its strategy of growth through the expansion of its corporate loan portfolio, maintaining its position in the retail banking lending market and its investment plan for the period 2010 to 2012, including the upgrade of the security infrastructure, software and other investments connected with its IT platform.

Bank Millennium strategy for 2010

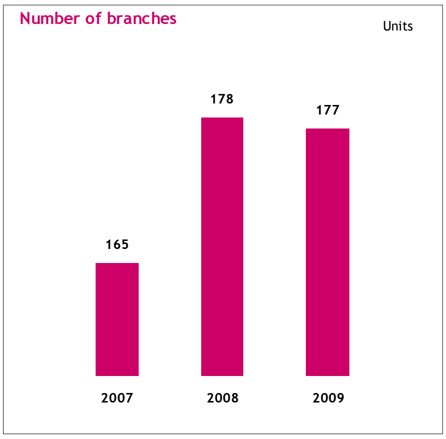


In 2010 the Bank will proceed on a path of profitable growth, through implementation of the strategy announced for 2010-12. Having achieved a position of leadership in retail banking, in particular in deposits, mortgage loans and cards, Bank Millennium intends to strengthen its competitive position in other products for individuals, such as mutual funds and consumer credit. Acceleration in attracting new customers will constitute a priority based on the Bank's large network of modern branches, its offer of a complete range of products and services, its recognised brand and the effectiveness of its marketing campaigns. The Bank will also lend special attention to cross-selling opportunities and to strengthening relations with the present customer base. Bank Millennium also intends to increase its involvement in commercial banking, both through its present customer base and through attracting new customers, leveraged by the new commercial organisation and the sales force dedicated solely to new customers acquisition. In the companies area the Bank's aim is to develop a complete relationship with its customers, complementing the credit business with day-to-day transactional activity. Rebalancing the loan portfolio is another important goal for the Bank in the coming times. Bank Millennium intends to increase its market share considerably in loans to companies in various sectors, the SMEs in particular, with emphasis on asset-backed products such as leasing and factoring, maintaining in this way a well-diversified portfolio of moderate risk. Rigorous control of the cost base and continuation of the conservative approach to risk will also be important areas of the Bank's activity. As far as liquidity is concerned, the Bank will pursue a balanced growth of deposits and credit and, at the same time, will continue its efforts directed at diversification of sources of funding. Bank Millennium will continue strict discipline in capital management, involving the allocation of capital in the first place to the growth of products and segments of greater potential profitability.

Greece

Millennium bank in Greece is a greenfield operation set up in September 2000, focusing on retail banking, though also providing an additional range of financial services. Its success is based on its market segmentation strategy, in which four business areas were developed: retail banking, private banking, business banking and corporate and investment banking. This approach has been combined with innovative products, high service levels and highly-skilled human resources. Since its creation the Bank has focused on organic growth and, at the same time, on growth of income and on the creation of value.

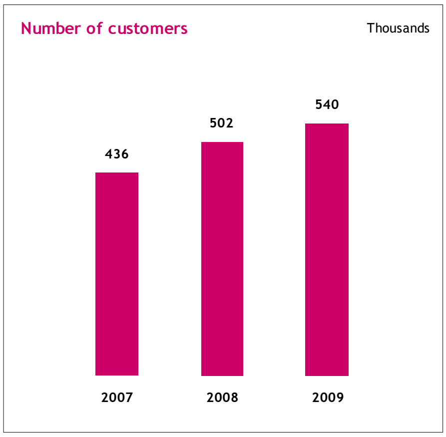
The distinction awarded to Millennium bank as the "Best Bank to Work For" in Greece and the efforts made to increase sight deposits and to attract new customers warrant special mention. This award to Millennium bank in Greece, putting it third in the ranking of the "Best Company to Work For with over 250 employees" provides clear confirmation of the commitment and pride of Millennium bank employees.



With a view to increasing sight deposits the Bank launched several campaigns and increased the offer of innovative products. Of these, the "Saving for All" programme, consisting of a savings plan whose interest payment is dependent on investing a predetermined monthly sum, was included in most of the year's commercial cycles. It was the cornerstone of the renovation of Millennium bank's position as a savings-oriented bank. The launch of this product was underpinned by a TV advertising campaign that was awarded the "Ermis" prize by the Greek Advertising and Communication Association, distinguishing it as the best advert produced in Greece in 2009.

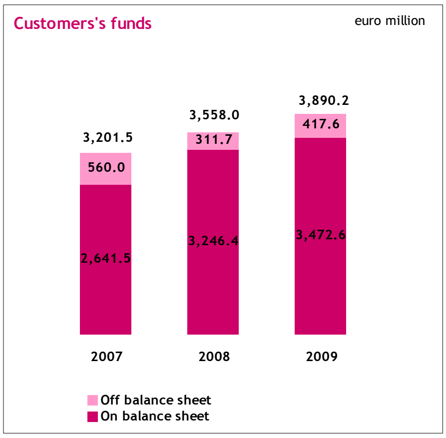
Other products were also launched, directed at attracting sight deposits, including a programme that combines a demand deposit with a possible future mortgage loan, and a new salary account especially directed at public sector employees and pensioners. The efforts to increase demand deposits were also supported by advertising the use of the Millennium bank direct debits service. The Millennium bank unit-linked *bancassurance* programme, allowing customers to invest globally through Millennium bank mutual funds, including insurance cover, also played an important role in the growth of customers' savings.

Attracting new customers was supported by an institutional campaign capitalising on the Bank's 177 branches across the Greek territory, and on the considerable customer base (over 500 thousand). The growth of the customer base was also supported by the continuation of the IKEA credit card campaign under an agreement entered into with the Greek subsidiary of the multinational household goods company. A special offer was also launched in which cinema tickets are offered to Millennium bank credit-card holders, inspired by a similar campaign occurred in Portugal. The promotion of Millennium bank health insurance solutions and the Bank's offer for micro-businesses, comprising financing working capital needs and fixed assets, a current account and other services, also contributed to attracting new customers.



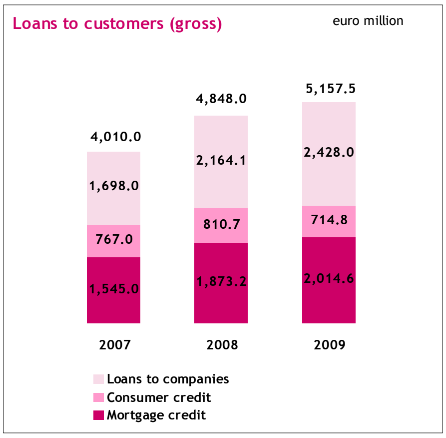
This growing focus on the micro-business segment was recognised by the selection of Millennium bank by the Economy and Finance Ministry of Greece as an intermediate management body within the context of the 2007-2013 National Strategic Reference Framework. This distinction will have a favourable impact on the Bank's future business, for it will be responsible for the management, monitoring and control of small-business investment proposals to be selected in the next three years. The launch of two specialised products for the purchase, development and operation of photovoltaic systems, essentially directed at micro-businesses, also warrants emphasis. This launch is the result of Millennium bank's participation in "Fina-Ret", a European Commission intelligent energy project.

Reflecting the success of the commercial efforts, 38 thousand new customers were attracted in 2009, increasing the Bank's customer base to more than 540,000 at the year-end. Demand deposits exceeded euro one billion for the first time in the history of Millennium bank, standing at 1.077 billion as at December 31, 2009, and increased euro 339 million compared to the end of 2008. Total deposits amounted to euro 3,473 million, up 7% over the previous year, outperforming the growth of loans, up 6% at euro 5,083 million at the end of 2009 compared to 4,794 million a year earlier, in a continuous effort to minimise recourse to funding outside customer's deposits. Net income amounted to euro 9.0 million in 2009, compared with euro 15.1 million in 2008, influenced by historically adverse economic conditions reflected in lower spreads on term deposits, particularly significant during the first half of 2009, in a slowdown in extending credit and in the increase of non-performing loans. It's important to underline the negative impact of euro 1.5 million in 2009 due to taxes from extraordinary social contribution imposed by the greek authorities.



Millennium bank - Greece				euro million
	2009	2008	2007	Chan.% 09/08
Total assets	6,669.1	6,104.0	5,333.1	9.3%
Loans to customers (gross)	5,157.5	4,848.0	4,010.0	6.4%
Loans to customers (net)	5,083.2	4,793.7	3,966.4	6.0%
Customers' funds	3,890.2	3,558.0	3,201.5	9.3%
Of which: On Balance Sheet	3,472.6	3,246.4	2,641.5	7.0%
Off Balance Sheet	417.6	311.7	560.0	34.0%
Shareholders' equity	388.5	314.1	300.9	23.7%
Net interest income	124.7	126.0	116.5	-1.0%
Other net operating income	45.1	41.8	40.6	7.9%
Operating costs	125.8	126.3	112.5	-0.4%
Impairment and provisions	24.7	16.7	15.0	47.6%
Net income	9.0	15.1	22.1	-40.5%
Number of Customers (thousands)	540.4	502.1	435.5	7.6%
Employees (number)	1,527	1,554	1,411	-1.7%
Branches (number)	177	178	165	-0.6%
% of share capital held	100.0%	100.0%	100.0%	

Millennium bank's focus on service quality was reflected in the high customers-satisfaction levels obtained and in the various prizes with which it was distinguished, as in previous years. The Millennium bank telephone banking services were distinguished in the "Contact Centres up to 50 Employees" category – Gold Award of the annual Teleperformance "CRM 2009" Grand Prix awarded by Teleperformance International. Millennium bank, previously rewarded in eight of the ten editions of this contest, obtained an overall result of 100% in 2009, a result never before achieved by any institution. There was also the award by Deutsche Bank of the "2008 EUR Straight – Through processing excellence award" for the second consecutive year, once more recognising exceptional performance in processing euro transfers to the entire world.



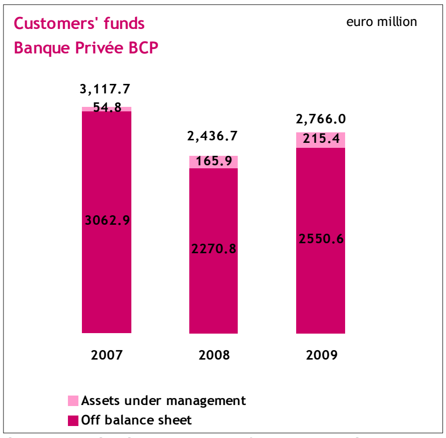
Millennium bank's objectives for the coming years consist of increasing its market share, customer base and profitability, with a focus on cross-selling and on greater value-added products. Another Millennium bank goal is to maintain its low-cost operating structure and to obtain greater efficiency through strict monitoring of operating costs, while keeping tight control of the quality of the loan portfolio.

Switzerland

Banque Privée BCP is a private banking platform set up in Switzerland in 2003 that provides services to Group clients. All its activities are centred on the client. High-quality services are provided, with emphasis on innovation and performance, based on trust and discretion, and supported by a team that has excellent qualifications and skills.

Banque Privée BCP - Switzerland						euro million
	2009	2008	2007	Chan.% 09/08	2008	Chan.% 09/08
					excluding FX effect	
Total assets	880.1	872.1	995.2	0.9%	872.9	0.8%
Loans to customers (gross)	752.4	753.8	773.2	-0.2%	754.5	-0.3%
Loans to customers (net)	723.7	723.0	771.2	0.1%	723.7	0.0%
Customers' funds	2,766.0	2,436.7	3,117.7	13.5%	2,439.0	13.4%
Of which: On Balance Sheet	215.4	165.9	54.8	29.8%	166.0	29.7%
Assets under management	2,550.6	2,270.9	3,062.8	12.3%	2,273.0	12.2%
Shareholders' equity	83.2	42.3	71.9	96.6%	42.4	96.5%
Net interest income	7.0	7.6	8.2	-8.8%	8.0	-13.2%
Other net operating income	17.0	12.0	24.7	42.5%	12.6	35.6%
Operating costs	15.1	14.5	12.8	3.8%	15.3	-1.2%
Impairment and provisions	-1.4	45.2	2.0	-103.2%	47.4	-103.0%
Net income	7.8	-30.4	13.7	125.8%	-31.9	124.5%
Number of Customers (thousands)	2.1	1.8	1.7	13.4%		
Employees (number)	65	66	64	-1.5%		
Branches (number)	1	1	1	0.0%		
% of share capital held	100.0%	100.0%	100.0%			
FX rates:						
Balance Sheet 1 euro =	1.4836	1.485	1.6547	swiss francs		
Profit and Loss Account 1 euro =	1.50777917	1.5836375	1.64449583	swiss francs		

The macroeconomic framework and the difficult market severely conditioned the performance of Banque Privée BCP in 2009. However, a recovery was seen in assets under management, which increased by some 12%. The recovery of the markets during the year caused part of the impairment provisions set aside in 2008 to be reversed, which stood at about euro 1.4 million in 2009.



Despite the difficult environment in which it carried on its business, Banque Privée BCP continued its marketing activities in its main markets, having obtained growth of customer's assets and of the customer base in Brazil and Poland, markets and segments in which the Bank is in a good position to service its clients in the coming years. The greater proximity to clients, allied to compliance with regulated requisits, the increase of organisational efficiency, cost control and a focus on constant improvement of investment management solutions allowed the Bank to return positive net income amounting to euro 7.8 million, which compares with a loss of euro -30.4 million in 2008.

Despite the improvement of the situation of the capital market, and the signs of renewed confidence caused by the implementation of state financial aid programmes, as well as the signs of improvement of the economic environment, Banque Privée BCP is set to maintain in 2010 the conservative, rigorous stance adopted throughout 2009.

Romania

During 2009 the evolution of the economic environment raised new challenges and caused Millennium bank in Romania to develop a new strategy, adapting its business model to the new reality. Implementation of the new strategy was based on four areas: i) strengthening the branch network with a view to increasing the customer base and the target segment; ii) focus on SMEs on the companies segment; iii) greater efficiency and strict cost management; and iv) conservative risk and capital management.

The Bank simplified its organisational structure, merging the six existing networks (three retail and three corporate) into just two – one dedicated to individuals and another to companies - with a focus on two segments, upper mass market and SME, respectively. The retail business model is no longer based on consumer finance products, with its relatively reduced ability to capture funds, and its goal is now to turn Millennium bank into its customers' principal bank through "anchor" products, such as mortgage loan packages, with domiciled salary and term deposits. As a result, the plan to convert the credit centres into mass market branches was finalised during the 3rd quarter of 2009.

In response to the slowdown of the market, Millennium bank identified a number of measures designed to increase efficacy and efficiency. A cost-cutting plan was therefore implemented successfully, leading to substantial reductions, especially through renegotiation of lease contracts and of contracts with the major suppliers. The Bank's main processes began to be reviewed with a view to determining efficiency-improvement opportunities. The main components of the credit-decision systems for both customer segments were revised, especially with regard to risk filters, rating models, collateral policy and the credit-monitoring process.

Following the market trend of falling net interest income, the Bank has been successful in securing the confidence of its customers, increasing cross-selling and the income generated by commissions, through the offer of alternative products, leveraging the existing portfolio. The offer of the retail network came to be based on three pillars: mortgage loans – with positive discrimination of value proposal for better risks and seeking to provide the market's best service; deposits – with a competitive offer for the more relevant maturities; and transactions – with a focus on attracting domiciled salary costumers, Internet solutions and direct debits. For companies, the service is based on an extensive range of products on competitive pricing.

During the closing months of 2009 the results of some of the measures implemented became evident, particularly customer deposits (a 141.4% increase over 2008), mortgage loans' market share (0.61% in 2009), consumer credit's market share (0.66% in 2009) and new customers (increase of the customer base from 22.7 thousands in 2008 to 27.1 thousands in 2009), with an impact of the growth of turnover (customer funds up 141.4% and loans to customers up 7.8% over 2008).

Pre-tax losses fell from euros 41.0 million in 2008 to 35.7 million in 2009 (down 12.8%), reflecting the increase of 65.3% in operating income (from euros 13.8 million to 22.8 million) and the reduction of operating costs (down 4.8%), despite the euros 5.9 million increase of impairments over the 2008 figure. Millennium bank returned an after-tax loss amounting to euros 38.5 millions, negatively affected by the reversal of euros 8.2 million of deferred taxes assets booked in 2007 and 2008.

Millennium bank - Romania * euro million

	2009	2008	2007	Chan.% 09/08	2008 excluding FX effect	Chan.% 09/08 excluding FX effect
Total assets	473.3	311.6	87.4	51.9%	295.9	60.0%
Loans to customers (gross)	268.2	236.2	37.6	13.5%	224.3	19.6%
Loans to customers (net)	242.9	225.3	37.2	7.8%	213.9	13.6%
Customers' funds	254.5	105.4	38.4	141.4%	100.1	154.2%
Of which: On Balance Sheet	254.5	105.4	38.4	141.4%	100.1	154.2%
Shareholders' equity	49.1	23.3	13.0	111.2%	22.1	122.4%
Net interest income	5.9	3.4	1.8	72.5%	3.0	98.6%
Other net operating income	16.9	10.4	0.4	62.9%	9.0	87.5%
Operating costs	41.9	44.1	31.8	-4.8%	38.3	9.6%
Impairment and provisions	16.6	10.7	0.4	54.6%	9.3	77.9%
Net income	-38.5	-34.9	-26.4	-10.4%	-30.3	-27.0%
Number of Customers (thousands)	27.1	22.7	4.0	19.3%		
Employees (number)	700	691	509	1.3%		
Branches (number)	74	65	40	13.8%		
% of share capital held	100.0%	100.0%	100.0%			

* Bank started its operations in October 11, 2007. Values include Banca Millennium (Romania), Banpor Consulting (Romania) and costs center registered in Portugal.

FX rates:

Balance Sheet 1 euro =	4.2363	4.0225	3.6077	new romanian leus
Profit and Loss Account 1 euro =	4.24474583	3.68775417	3.33250833	new romanian leus

The capacity demonstrated by the bank to adjust its strategy to the new context, in a short space of time, and the evolution expected in several business areas in the short term, demonstrate that the new business model is appropriate and that the Bank is in a position to grow its business.

In 2010 the goal of Millennium bank in Romania is to achieve sustained growth of turnover, especially in connection with the priority segments. To this end it will continue to implement the strategic guidelines recently established, directed at the conclusion of several initiatives now under way, the aim of which is to increase efficiency, essentially through an increase of income and through monitoring and implementation of savings in terms of costs. The guidelines for 2010 will comprise increasing cross-selling, attracting new customers and strengthening relations with the present customer base. At the same time, the positive impacts stemming from a more conservative credit-risk policy and from a more efficient recovery process, already seen during the closing months of 2009, should contribute to a reduction of the cost of risk.

Turkey

Millennium bank in Turkey continues to carry on its business based on a strategy of differentiation, the main pillars of which are an excellent and convenient service, and a range of innovative, personalised products and services directed at high-income individuals and SMEs. The Bank operates through 18 branches and 303 employees. With its sharp focus on attracting new customers and on retaining present customers, the Bank was successful in increasing customer number by 3.2% in 2009, up from 20.3 thousands to 20.9 thousands.

The Bank addresses the high-income individuals market through a service based on relationship management and on a range of competitive, innovative products and services. Broadening of the product range was the main strategic orientation pursued during the year. In this connection, an agency agreement was signed with Zurich Insurance Company, and two new personal accident insurance products were launched, “My Children’s Education” and “My Family”. The relaunch of credit cards with the EMV-Chip was also concluded during the year. These products created an opportunity for cross-selling to current and potential customers and contributed to an increase of income. With a view to exploiting the customer base, a better-structured sales process was established.

In order to increase volumes under management in asset management, new product packages were launched and several marketing campaigns were implemented, with a focus on structured products, term deposits and mutual funds, the aim being to attract more customers. The range of open-architecture mutual funds was extended with guaranteed-capital funds. Several measures were also developed to increase customers loyalty, of which campaigns were launched to assign pre-approved credit limits, the aim being to exploit the present customer base, increasing the customers' relations and their cross-selling level.

The SME business unit was launched at the start of 2008 with a view to providing better service and excellent execution for customers, putting Millennium bank in a unique position to exploit business banking in a complementary manner. Directed at improving the value proposal of this segment, "anchor products" were launched, with positive results in attracting customers and in risk management. To ensure competitive service levels, processes connected with marketing, sales, customers acquisition and credit-extending and monitoring were reviewed and restructured.

Millennium bank - Turkey euro million

	2009	2008	2007	Chan.% 09/08	2008 excluding FX effect	Chan.% 09/08 excluding FX effect
Total assets	495.2	549.7	670.7	-9.9%	548.2	-9.7%
Loans to customers (gross)	340.4	412.0	428.9	-17.4%	410.9	-17.2%
Loans to customers (net)	336.7	408.5	425.9	-17.6%	407.4	-17.4%
Customers' funds	387.5	461.3	705.5	-16.0%	460.1	-15.8%
Of which: On Balance Sheet	315.3	346.0	450.6	-8.9%	345.1	-8.6%
Off Balance Sheet	72.2	115.3	254.9	-37.4%	115.0	-37.2%
Shareholders' equity	59.3	70.2	63.4	-15.5%	70.0	-15.3%
Net interest income	1.0	7.3	15.4	-85.9%	6.4	-83.9%
Other net operating income	12.6	19.7	9.1	-36.1%	17.3	-27.0%
Operating costs	21.6	24.6	24.9	-12.2%	21.5	0.3%
Impairment and provisions	0.5	1.5	0.6	-68.6%	1.3	-64.2%
Net income	-7.2	1.8	-0.8	-509.3%	1.5	-567.4%
Number of Customers (thousands)	20.9	20.3	19.1	3.2%		
Employees (number)	303	320	300	-5.3%		
Branches (number)	18	18	16	0.0%		
% of share capital held	100.0%	100.0%	100.0%			
FX rates:						
Balance Sheet 1 euro =	2.1547	2.1488	1.717	turkish liras		
Profit and Loss Account 1 euro =	2.16640417	1.89714583	1.78515417	turkish liras		

Although 2009 was a particularly difficult year in the SME segment as a result of the dissemination of the international financial crisis, Millennium bank in Turkey increased the number of its customers in this segment by 14% compared to 2008. The good service provided by Millennium bank contributed to a growth of turnover higher than the market average for this segment. This growth was achieved while maintaining non-performing loan ratios low 2.9% before recoveries, compared to 5.5% for the Turkish banking industry. In 2009 Millennium bank was successful in remaining among the Top 3 Turkish banks in terms of loan performance.

The performance of Millennium bank in Turkey in 2009, was penalized by a decrease in net interest income, reflecting the reduction of the securities portfolio and the higher costs of deposits, which more than offset the lower provisioning effort and the reduction of the depreciation amount. It should be noted that in 2008 the Bank registered a significant gain associated with the sale of the headquarters.

As a result of the review of its international operations, and given the Bank's stated strategy of focusing on priority markets, Millennium bcp has signed an agreement to sell 95% of Millennium Bank, S.A. in Turkey to CREDIT EUROPE BANK, N.V., a wholly owned subsidiary of FIBA HOLDING, A.S., for a total price of approximately euro 61.8 million, subject to a final adjustment when the transaction is completed.

Banco Comercial Português will retain a 5% stake in the company, having agreed with the buyer a put and call mechanism to sell the remaining stake for a price per share not lower than the price agreed for the majority stake.

This transaction, which is subject to regulatory approval from the supervisory authorities, will generate a capital gain, pre-tax, of approximately euro 5.4 million and have a positive impact of 6 basis points on consolidated Tier I capital ratio.

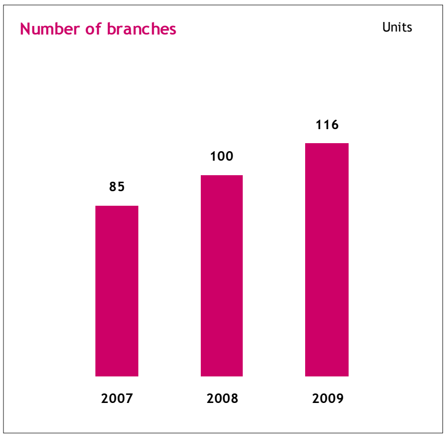
Millennium bank in Turkey, as mentioned in note 26 to the financial statements, was classified as non-current assets held for sale, according to IFRS 5.

Other International Business

Mozambique

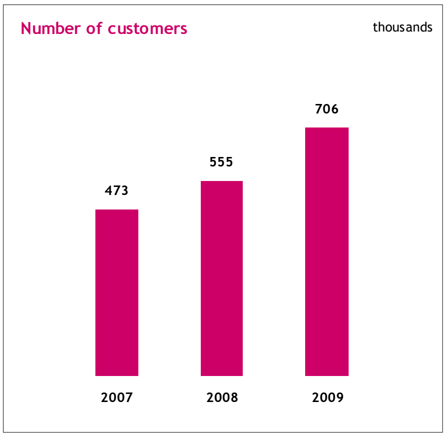
Millennium bim is Mozambique's biggest bank, with its 116 branches providing a full range of financial products and services, including insurance. Millennium bim is strongly committed to contributing to the development of Mozambique's economy and financial system, to strengthening and developing its businesses landscape and to helping to improve the living conditions of its people, not only through involvement in social responsibility measures, but also through the offer of innovative banking products and services that will contribute to satisfying the financial needs of the Mozambicans.

The year under review was a good one for Millennium bim, which maintained its leadership position, underpinned by innovation, the modernity of its service and distribution network, and responsibility in undertaking its activities. Despite the considerable uncertainty concerning the impact of the international crisis on the Mozambican economy, Millennium bim kept to the established strategic guidelines and continued to focus on the enlargement of its branch network, on segmentation and on the profitability of it's business. It also paid particular attention to risk management, to the most recent corporate governance practices and to the international financial reporting standards.



Millennium bim is committed to ongoing focus on innovation, inspired by the priority of the financial needs of the customers, whom it serves on a segmented basis, seeking to met their expectations and requirements. At the product level, the focus was on consolidation of the Bank's leadership with civil servants and on partnerships with the various economic agents, with emphasis on the start of partnerships with companies in the cell-phone sector and with FEMATRO, ATAXIMA and the Transport and Communications Ministry, for the development of a leasing product for public transport professionals, which will allow the immediate introduction into Mozambique of 200 new semi-collective transport vehicles and 200 cars for the taxi service. Given its favourable conditions, this product will be accessible to all public transport operators.

Another strategic focus in 2009 was the improvement of service, and several measures were implemented in this respect, of which training was one of the basic pillars.



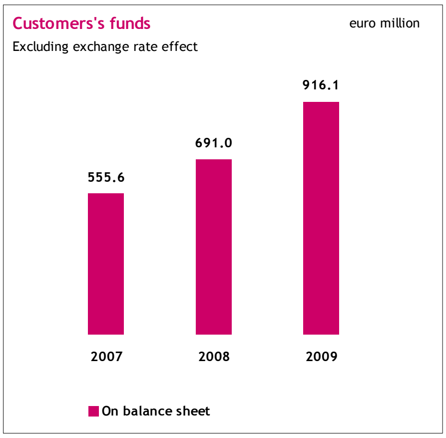
The market again recognised and rewarded Millennium bim's value proposal, subscribing to and placing confidence in its products and service, as seen in the increase of the customer base, up to more than 700 thousands customers, an increase of 27% over 2008. In 2009 Millennium bim was also distinguished with the award of international prizes, namely the prize for "Best Bank in Mozambique" by the *Financial Times* Group's publication, *The Bankers* and the *emeafinance* (Europe, Middle East and Africa), and also by Mozambican consumers as "Banking's Best Brand", revealing that it is the bank that the customers trust most, whose quality they recognise and with which they have the greatest emotional relationship.

At the end of 2009 net income was returned amounting to meticais 2.0 billion, or euro 52.0 million, an increase of 8.8% over 2008 (1.0% in euros owing to the devaluation of the metical). Net interest income was up 16.0% (7.6% in euros) and operating income rose by 21.6% (12.9% in euros). Return on equity (RoE) stood at 36%, compared to 44% in 2008.

Millennium bim - Mozambique — euro million

	2009	2008	2007	Chan.% 09/08	2008	Chan.% 09/08
					excluding FX effect	
Total assets	1,205.2	1,042.4	860.8	15.6%	895.8	34.5%
Loans to customers (gross)	703.1	506.3	377.6	38.9%	435.1	61.6%
Loans to customers (net)	673.2	484.1	359.0	39.1%	416.0	61.8%
Customers' funds	916.1	804.2	652.6	13.9%	691.0	32.6%
Of which: On Balance Sheet	916.1	804.2	652.6	13.9%	691.0	32.6%
Shareholders' equity	159.1	143.5	101.6	10.8%	123.3	29.0%
Net interest income	84.1	78.1	67.1	7.6%	72.5	16.0%
Other net operating income	51.3	41.8	33.3	22.7%	38.8	32.2%
Operating costs	59.6	54.3	48.9	9.8%	50.4	18.3%
Impairment and provisions	11.6	2.5	5.8	370.0%	2.3	406.5%
Net income	52.0	51.5	41.4	1.0%	47.8	8.8%
Number of Customers (thousands)	706.4	554.9	472.8	27.3%		
Employees (number)	1,936	1,762	1,595	9.9%		
Branches (number)	116	100	85	16.0%		
% of share capital held	66.7%	66.7%	66.7%			

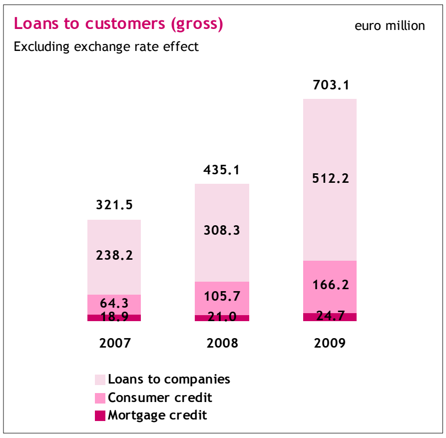
FX rates:				
Balance Sheet 1 euro =	40.91	35.155	34.83	meticais
Profit and Loss Account 1 euro =	38.545	35.77020833	35.405	meticais



Total assets amounted to meticais 49,304 million (about euro 1,205 million), an increase of 34.5% (15.6% in euros), compared to 2008. Loans to customers returned a growth of 61.8% (39.1% in euros), to stand at meticais 27,540 million (about euro 673 million). Customers' funds increased 32.6% (13.9% in euros) compared to 2008, to stand at meticais 37,479 million (euro 916 million). The past-due to total loans ratio increased slightly to 1.0%, with cover by provisions coverage of 419.9%. Not with standing the impact of the branch network expansion programme and the adverse macroeconomic situation, which have driven costs up, the cost-to-income ratio was slightly lower than the 2008 figure, standing at 44.0% (45.3% in 2008).

A subsidiary of Millennium bim, Millennium insurance, maintained its leadership position in the insurance market, registering a revenue growth of 11%. Net income stood at meticais 208 million (euros 5.4 million), representing a growth of 13.2% (5.0% in euros).

Since its incorporation Millennium bim has viewed the social role as a fundamental component of its mission, both through promoting professional qualification and the personal development of its employees, and through the exercise of social responsibility towards the community of which it forms an integral part. It was the first Mozambican company to publish a social responsibility report, and it was also the leader and innovator in implementing and disseminating a socially responsible attitude. Implementation of the Millennium bim Social Responsibility programme "More Mozambique for Me" went ahead, with various activities having been undertaken during the year.



One of the main strategic vectors for 2010 will continue to be the search for better service quality and ongoing innovation, with growth of the business base and maximising profitability. Special attention will be given to consolidation of business segmentation, and to maintaining efficiency and profitability levels, while additional efforts will be directed at ensuring the implementation of branch network expansion programme, while also ensuring strict compliance in risk management and in compliance matters.

Angola

Banco Millennium Angola, S.A. (BMA) was formed on April 3, 2006, as a result of the transformation of the local branch into a bank under Angolan law. BMA's mission is to contribute to the modernisation and development of the financial system in Angola, playing a key role in the increase of involvement witht the banking sector of the Angolan people through marketing innovative, personalised financial products and services, ensuring the loyalty and involvement of the customer base and offering the market higher quality and specialisation. The strategic focus on the development of Angola's financial system also involves investment, job creation, a focus on training people and the transfer of know-how.

BMA aspires to become one of the reference banks the Angolan market, and to this end mantains focus on the strategic vectors: to place itself in a position of leadership, to enlarge its distribution network by giving it national coverage and strong capillarity, and to provide a service of excellence and involvement in every market segment.

The year under review was a good one for BMA, marked by the acquisition of shareholdings in BMA by Sonangol, E.P. (31.5%) and Banco Privado Atlântico, S.A. (15.8%), and by the BMA's acquisition of a 10% stake in Banco Privado Atlântico. Following the establishment of these strategic partnerships, involving an increase of equity capital, the Bank was able to accelerate its business plan, with a view to provide a fast response to the needs and opportunities arising in the Angolan market.

The Bank introduced several developments and innovations during 2009, with emphasis on: the introduction of the new incentives system for the commercial areas, the main goals being to create and strengthen commercial skills, to build team spirit, to promote diligence and to create loyalty among new employees; to implement a new management information system - MilleMIS – for the day-to-day analysis and monitoring of commercial activity; and to launch of the Intranet and several software applications, alongside improvements to the Bank's system and several programmes that communicate with it, this measures make BMA more efficient, with the consequent positive effect on the alignment of procedures in several areas.

The Bank enlarged its range of financial products and services in 2009. Throughout the year Visa credit cards were launched for individuals and companies, allowing access to Automaed Tellers Machines and Pont of Sale Terminals. Also launched was the pre-paid card for payment of wages to low-income workers. Regarding savings, campaigns were launched providing very attractive conditions, both in kwanzas and in US dollars. The corollary of the focus on the innovation, originality, quality and diversification of the range of products and services launched on the market during 2009 was the award of the “Most Innovative Bank in Angola” prize awarded by the *emeafinance* magazine in 2009.

Banco Millennium Angola - Angola * — euro million

	2009	2008	2007	Chan.% 09/08	2008	Chan.% 09/08
					excluding FX effect	
Total assets	746.2	459.3	227.2	62.4%	374.6	99.2%
Loans to customers (gross)	317.3	218.7	118.7	45.1%	178.3	77.9%
Loans to customers (net)	310.0	212.6	115.9	45.8%	173.4	78.8%
Customers' funds	428.9	279.4	150.2	53.5%	227.9	88.2%
Of which: On Balance Sheet	428.9	279.4	150.2	53.5%	227.9	88.2%
Shareholders' equity	110.2	43.3	36.6	154.5%	35.3	212.1%
Net interest income	26.7	12.6	10.7	112.4%	12.7	111.1%
Other net operating income	32.5	11.4	8.1	186.6%	11.4	184.9%
Operating costs	40.6	17.2	10.2	136.4%	17.3	135.1%
Impairment and provisions	5.0	2.9	1.5	74.8%	2.9	73.8%
Net income	14.6	4.4	5.0	235.7%	4.4	233.7%
Number of Customers (thousands)	33.3	16.6	13.7	100.9%		
Employees (number)	499	311	185	60.5%		
Branches (number)	23	16	9	43.8%		
% of share capital held	52.7%	100.0%	100.0%			

* On February 2009, new shareholders (Sonangol, E.P. and Banco Privado Atlântivo, S.A.) have entered in Banco Millennium Angola's share capital, with a 47.3% stake.

FX rates:

Balance Sheet 1 euro =	128.38	104.69	110.49	kwanzas
Profit and Loss Account 1 euro =	109.9862917	110.6400833	105.4420833	kwanzas

At the end of 2009, the Bank had total assets amounting to euro 746 million, a 62.4% increase over the end of 2008. The Bank’s customers and employees number increased by 100.9% to 33.3 thousands and by 60.5% to 499 respectively, compared to last year. Loans to customers and customers’ funds performed well, rising by 45.8% and 53.5% compared to the end of 2008, with the loan-deposit ratio standing at 74%. The public debt securities portfolio amounted to euros 209.1 million, accounting for 28.0% of total assets.

Net income for 2009 stood at euros 14.6 million, an increase of 235.7% over 2008, essentially reflecting the good performance of operating income, up 147.6%, with special emphasis on the growth of net interest income (112.4%) and of the profit generated by foreign exchange transactions (261.0%). The cost-to-income ratio stood at 68.4%, in line with the heavy investment in the enlargement of the branch network, in information and communication systems, in advertising campaigns and in increased number of employees.

For the coming year Millennium Angola’s strategic priorities consist of continuation of the development of the business, with a special focus on attracting new customers and growing costumers funds, on the execution of the ambitious expansion plan, on continuation of the implementation of the technologies and information systems project, on employees recruiting and training programmes and on implementing risk control and monitoring processes aligned with the Group’s best practices.

Cayman Islands

Millennium bcp Bank & Trust is headquartered in the Cayman islands, its vocation being to provide international banking services to high net worth individuals and corporate clients.

The Bank’s client portfolio is focused on Portuguese communities in Europe, South America (Brazil and Venezuela), South Africa and the Portuguese-speaking countries of Africa.

It has a local structure dedicated and has established contracts with Banco Comercial Português S.A. for providing several activities and functions.

The downgrade of the respective license, from “A” category to “B” category, was requested to the Cayman Islands Monetary Authority by the Executive Board of Directors of Millennium bcp Bank & Trust, in December 2009.

Simultaneously with the above mentioned requirement, it was delivered to the supervisory entity new business plan. In 2009, Millennium bcp Bank & Trust has not actively tried to capture new business.

Attending to the economic-financial and legal environment and with the goal of reducing costs in mind, the Bank has reduced its headcount, which as at 31 December 2009 was 15 employees.

The Millennium bcp Bank & Trust Cayman presented a net income of Euro 9.6 million in 2009, compared with Euro 20.9 million in 2008. The evolution of net income of this operation was determined by the contraction of net interest income and by the increase in credit impairment charges, notwithstanding the reduction in operating costs.

United States of America

Millennium bcpbank is a commercial bank with headquarters in New Jersey, incorporated in October 2000. It operates under a community bank approach and provides personalised services in addition to products and services for the general public. Its vocation is to serve Portuguese-speaking communities and Greek ethnic groups. The Bank’s deposits are guaranteed by the Guarantee Fund in accordance with the rules and regulations of the Federal Deposit Insurance Corporation (FDIC). The Bank is regulated by the Office of Comptroller of the Currency (OCC) and by FDIC. It has 17 branches in 13 communities in the states of New Jersey, New York and Massachusetts.

Millennium bcpbank’s strategy consists of providing a complete range of banking services for its individual customers and for SMEs within the communities in which it operates. It manages its branches on a decentralised basis, allowing it to centre on responding to the needs of local customers, while achieving operating efficiency through centralisation of processing and product standardisation. The strategic objectives for 2009 centered on improving quality and increasing the share-of-wallet of the current customer base and, at the same time, an ongoing focus on increasing turnover and cross-selling.

The excellence of the service provided to customers in each market is in line with the parameters of the Millennium Group. The Bank is highly community-oriented, through selection of the members of the communities in which it operates to perform the duties of branch manager. This measure allows the Bank to establish lasting relations hips with its customers and to maintain high service levels. With a view to strengthening its community vocation, the Bank continued to be involved in activities in the field of social responsibility, financially supporting a number of programmes and events that make a difference to the communities it serves.

The main priorities in 2009 consisted of implementation of programmes to improve the credit and repricing process, in addition to measures to cut operating costs and to increase efficiency.

The launch of an extensive programme to improve the credit process included the credit policy simplification, the creation of product and operating manuals, centralisation of information, development of a system of early warning signs and adjustment of the structure of the Credit Division and of the Credit Quality Committee.

The medium-term goal of reducing operating costs and of increasing efficiency involved renegotiation of third-party supply contracts and restructuring both operating processes and headcount.

Millennium bcpbank has also taken action in respect of income, having implemented programmes to reduce exemption from commissions and undertaken in-depth revision of the price list, in keeping with an approach of pricing discipline.

The main challenges with which the Bank was faced during 2009 involved management of the present interest-rate framework, a demanding supervision, the economic slowdown and the consequent pressure on loan quality, and the difficulties in increasing the deposits base, against a growingly competitive background. Nevertheless, the Bank will continue to develop lasting partnerships with the communities, renewing its focus on customer service and on a clear vision of support for individual customers and SMEs, allowing them to meet their financial goals.

The Bank's performance was strongly influenced by the challenges faced in 2009, having been conditioned by the level of credit impairment, according to the deterioration of the portfolio, as well as the impact of reducing the level of interest rates on net interest income. The Bank's response has resulted in part, in improving efficiency and reducing staff costs (-16.9% in U.S. dollars; -11.7% in euros).

Millennium bcpbank - USA euro million

	2009	2008	2007	Chan.% 09/08	2008 (excluding FX effect)	Chan.% 09/08 (excluding FX effect)
Total assets	564.1	565.8	595.9	-0.3%	546.6	3.2%
Loans to customers (gross)	413.2	468.2	417.3	-11.8%	452.3	-8.7%
Loans to customers (net)	402.0	461.2	413.6	-12.8%	445.5	-9.8%
Customers' funds	485.7	477.5	528.2	1.7%	461.3	5.3%
Of which: On Balance Sheet	485.7	477.5	528.2	1.7%	461.3	5.3%
Shareholders' equity	51.1	53.4	57.5	-4.3%	51.6	-0.9%
Net interest income	17.2	18.7	18.5	-8.2%	19.9	-13.6%
Other net operating income	6.2	5.4	7.6	15.9%	5.7	9.0%
Operating costs	23.0	23.2	26.6	-0.7%	24.7	-6.6%
Impairment and provisions	10.1	4.5	0.2	125.3%	4.8	112.0%
Net income	-9.5	-6.1	-0.5	-56.7%	-6.4	-47.5%
Number of Customers (thousands)	25.7	26.4	26.0	-2.3%		
Employees (number)	208	235	234	-11.5%		
Branches (number)	17	18	18	-5.6%		
% of share capital held	100.0%	100.0%	100.0%			
FX rates:						
Balance Sheet 1 euro =	1.4406	1.3917	1.4721	united states dollars		
Profit and Loss Account 1 euro =	1.38968333	1.4765625	1.37236667	united states dollars		

In August 2009, Millennium bcpbank expressed its agreement to the issue of a consent order by the Office of the Comptroller of the Currency (OCC) of the United States, establishing a set of measures with a view to redefinition of the strategic plan, stronger governance structures and capital ratios, and improved risk management. During the 2^{nd} half of 2009, Millennium bcpbank actively pursued the measures provided for in the consent order.

In order to meet the goals referred to above to continue to be a solid, deeply-rooted community partner, Millennium bcpbank drew up a new strategic plan to improve its risk profile and profitability, based on the following:

- improvement of asset quality;

- optimisation of the branch network from a medium-term standpoint;
- continuation of the organisational simplification project under way and implementation of operating-cost reduction measures;
- strengthening of the Bank's principal control areas; and
- continuation of the efforts directed at repricing deposits and loans.

Banking Services

The departments that form the Banking Services area – IT and Technology, Administrative and Logistics, Prevention and Security Office, Operations, Credit, Rating and Credit Recovery – provide a number of specialised services in support of the various business units, both in Portugal and abroad. They contribute to a reduction of operating costs, to better quality service, to a differentiating level of technological innovation and to minimisation of the credit and operational risks incurred. These goals form part of the strategic guidelines established for the Group and contribute to meeting the Group's profitability and growth targets. The main areas of action in the Banking Services areas involved organisational restructuring, austere management of new investments and operating costs, and implementation of measures designed to improve the service levels of the major processes relevant to commercial activity.

Of the organisational restructuring of the Group impacting on the organisation of the Banking Services area implemented during 2009, highlights include: the creation of the Rating Division within the scope of the Bank's candidature to the Internal Ratings Based methodology (Basel II), associated with the decision to separate the evaluation of the credit risk, the aim being to improve the efficiency and quality of the credit-risk assessment process; the creation of the Litigation Division; and the creation of the Budget Planning and Control Division, which took over areas and functions related with planning and control, both from the standpoint of analytic management of operating costs and of measurement of the performance of the Central Services units, and also in the field of strategic planning and budgetary control of the Group's consolidated business.

Careful cost management meant that the year came to a close with positive budget deviations. The operating costs of the Banking Services Departments taken together fell by a nominal 7.4% compared to the budget, while the volume of investments was 49% less than the 2008 figure and 36% less than budgeted.

The number of employees of the Banking Services areas increased by 3.4% to stand at 1,923 in the wake of the change of the perimeter of the departments that make up this Committee, particularly as a result of the creation of the Rating Department and of the Special Outsourcing Projects, not offset by the transference of the Budget Planning and Control Division and Litigation and Divisions to the Corporate Areas.

Measurement and active management of the service levels of the various processes supporting commercial activity continued to mark the definition of the main performance indicators in the more operational areas. There was ongoing improvement of the thresholds achieved, reflected in an increase of the degree of internal customer satisfaction, impacting very positively on the quality of the services provided to the Group's customers.

Of the main initiatives of a strategic nature, special attention is called to cost-reduction and to process rationalisation and re-engineering, the strengthening of the computer and technology (IT) systems, the closer interlink with operations abroad, the optimisation of operational risk-management, improvement of the automated credit-decision support system, and consolidation of the new credit-recovery operative in Retail.

Also noteworthy is the increase in operating efficiency which is reflected in increases in productivity of about 19% in the area of operations in 2009.

Information Technology Department (DIT)

During 2009 the DIT implemented a number of projects and structural initiatives in the various areas within its perimeter of action, with a view to continuing an ongoing process of improvement of operating efficiency, of service levels and of timely adaptation to business requirements.

In organisational terms, emphasis is given to the creation of a new organic unit, the Business Requirements Management Unit which, in Portugal, manages relations between internal customers and the DIT.

In the contractual relationship with the Bank's technological partners, clauses were renegotiated with a view of optimisation, with a reduction of charges and matching the services provided by these suppliers to the Bank's needs.

As far as provision of IT services is concerned, the measures for applicational strengthening and technological renovation underpinned consistent improvement and efficiency of the process of resolution of incidents reported via the helpdesk, as well as the availability indices of critical banking and insurance support applications which, over the years, have evolved very well.

Emphasis is also given to the "Realising the Impossible" programme, constituting the benchmark for the DIT's activity in 2009, particularly in the fields of cost management, procedural optimisation and personal improvement and development projects. This integrated approach and the resulting execution dynamics, allowed a remarkable degree of compliance and results as planned.

A special word is due to the measures implemented within demand management, especially those related with voice communications, printing and computer processing, which, without prejudice to maintaining or improving the quality of the service provided, made yet another contribution to a reduction of the Bank's operating costs.

In 2009 and as far as the applicational side is concerned, a number of activities were implemented in a production environment under an IT-development priority model, as part of a strategy of greater customer-orientation in IT, directed at ensuring careful demand management.

As to the development of software and management instruments to support commercial activity, and the large number of activities undertaken, emphasis is given to the centralisation of credit forms on the SOWC application and also to the implementation of intervention commissions on collections. As far as the Companies Portal is concerned, attention is called to the activation of a security system supported by the introduction of a specific authorisation code (SAFe).

Continuing its strategy of alignment with the objectives and priorities of the commercial area, the DIT undertook a number of measures to ensure the normal working of those branches that now open to the public on Saturdays, adapting the helpdesk hours of attendance and ensuring the availability of the IT applications required by the business. With regard to operating optimisation, the focus is on the new flow underlying the treatment and control of credit-card attribution, and also to the improvements to the account opening and customer maintenance functions and to the new mortgage loan and personal loan process, all of which generated significant gains of efficiency, efficacy and reliability for all parties involved.

Also emphasised is the implementation of the application supporting Human Resource Management, both in the administrative area and in appraisal, and lastly, directed at increasing and consolidating communication within the Group, the provision of the first version of the new multi-domestic Intranet, Millennium.net.

In international operations, mention is made of the provision to the Romanian operation of a direct debits solution and of the improvements made to the ICBS loans sub-system in Greece. In Turkey, the emphasis is on the provision of the Fircosoft and Compa transverse applications compatible with the legislative and regulatory requirements and impositions in force, particularly in respect of anti-money laundering processes. A special word is due to the changes, in Poland, to credit/ debit card management and to the ATM network. In this operation emphasis is also given to the migration from the SWIFT Alliance Access platform to the Global SWIFT platform centralised in Portugal. Besides remarkable gains of scale, this initiative ensures lower costs, better service, operational-risk reduction and more efficient support. Additionally, there is the conclusion of the IMEX implementation project in Romania and Poland, which is now the new applicational platform supporting products managed by the respective trade finance areas. With regard to DIT Angola, and in view of the need to support the commercial and business networks in this country, a project was concluded that systematically allows the main functions to be provided, both applicational and in infrastructure (systems and communications), as called for in the plan approved in due course. It should be pointed out that this project involved all the IT competence centres, especially those headquartered in Portugal, Poland and Greece, providing a clear example of the paradigm of reuse of IT solutions and of the concerted efforts of several teams.

In infrastructure and as a part of the strategic technological renovation recommended by DIT, processes were finalised in respect of the front-office solution (Kondor) of the Millennium Group's trading rooms, and of that of ActivoBank7 and of the Companies Network. Emphasis is also given to the conclusion of the preparation of the "MillOffice" project that, in 2010, will allow the installation of the new Windows 7 operating system and of Office 2007. Besides a number of new collaborative functions, it will allow improvement of the workstations of the Millennium bcp employees.

Within the scope of centralised management of the Disaster Recovery process an additional word is due to the regular exercises in respect of the continuity of the core applications available in Portugal and Romania and of the solutions shared by Poland, Greece and Turkey that were concluded with remarkable success. For the first time these exercises involved functional certification tests and validation tests in respect of the data recovered, co-ordinated by the local IT Quality Control units of the operations in question.

Attention is also drawn to the implementation of the Multi-domestic Process Management project – in the areas of Change, Problem and Incident Management – in Poland, Romania, Greece, Turkey, Angola and Mozambique. For its importance, this project constitutes a fundamental stage in the implementation of an overall strategy of standardisation of processes and methodologies.

The year under review was also marked to a considerable extent by "Changing IT", a programme to develop DIT employees in Portugal, through which, in a reflection on the Millennium bcp culture, practices and values, efforts were made to transform the Division into an organisation of excellence directed at customer service. In the wake of these measures and of the constant search for quality and innovation, the final word is due to the benchmark for internal customer satisfaction with the DIT, which rose to the best-ever level in 2009.

Administrative and Logistics Department

In the administrative and procurement fields, there was a special focus on cost cutting, and, here, the focus is on measures of greater impact such as the reduction of postage cost, travel costs, externalisation of the archives and a 25% reduction, compared to 2008, of the branch employees' expense sheets.

As far as the Procurement Department is concerned, the goal continued to be a reduction of third-party supplies and services, in close co-operation with the Bank's various areas. The activity of the Works Management and Maintenance Department was also directed at cost-containment, both in investment and in maintenance.

In the field of divestment in properties a policy was adopted that was as proactive as possible, the commercial goals having been exceeded with regard both to the number of properties sold and to the respective selling prices. This was the result of permanent, insistent activity directed at the real estate agents, the various auctions organised and recourse to "campaigns" and "by lot" sales. With a view to cutting the time the assets remain in the possession of the Bank, the post of "properties manager" was created and a new working model was adapted for the IT application dedicated to property management, which underwent several changes and improvements and was interlinked with corporate maintenance management.

A new property management model was implemented, the prime goal of which was to speed up analysis and sale of repossessed properties. This involved redistribution of tasks and responsibilities among the various parties involved in the process, giving rise to the creation of three new departments: Works and Maintenance Management Department; Property Legalisation Department; and Property Management Department.

The objectives for 2010 are centered on cost-reduction with no deterioration of service quality and on the continuation of measures leading to a reduction of the time non-strategic properties remain within the strategic scope of the Bank.

Prevention and Safety Office

Strengthening the culture of prevention, security and business continuity is one of Millennium bcp's constant concerns and, at the same time, a responsibility of each employee, in the light of their understanding of the strategic orientation of the business objectives and of their implications on the security system and on its preventive capabilities when faced with threats to its integrity.

In physical security terms, the roll-out continued of the digital video-surveillance system, scheduled for conclusion by the end of the 1st half of 2010. A start was made to implementation of centralisation of alarm monitoring in the Security Room. In parallel with these two structural projects, the access-control system support infrastructure is being updated.

With regard to criminal activity, the number of robberies at banks fell in 2009. Millennium bcp presented the lower risk rate in 2009 within the portuguese banking sector. In ATMs, Millennium bcp was subject to more attacks, but with a lower success rate. The policy continued of fitting the ATMs with note-dyeing systems in places of greater risk as this protection mechanism is still the most effective in the prevention of crime of this type.

Millennium bcp's information security policy, with which a demanding security programme is allied, again responded to the challenges posed by technological environments undergoing constant change, especially the attempts to carry out fraudulent transactions via the Internet. Aware of this, the Bank brought forward a number of measures not only in the technological field, through the provision of powerful authentication procedures, but also by creating customer awareness by means of constant warnings and of regular publication of security newsletters.

Threats to the confidentiality and integrity of customers' information and operations constituted another area to which Millennium bcp has paid special attention and provided very considerable response capacity. In parallel, the Bank continued to increase its resilience and to minimise the impact on its stakeholders in the event of a serious incident by developing, in a second iteration, simplified methods of critical-business process execution that will allow shorter recovery times.

A pandemic contingency plan was drawn up because of the Swine Flue (H1N1) scenario, as part of the business-continuity management policy and methodology. It include three components: I) information and prevention, including the creation of a specific Swine-Flu micro-site, including interviews with the heads of the Medicine Services and of the Prevention and Security Office, posting notices around premises providing useful advice, publication of frequent questions and answers, and establishing a phone number to answer employees' questions; II) emergency response, which defines actions in the event of an occurrence and methodologies to deal with communication, centralised recording and monitoring of employees affected and providing specific personal protection and hygiene products and services; and III) business continuity, involving recourse to delocalisation and teleworking for critical employees determined on the basis of the business continuity plan.

Operations Department

The main objectives for 2009 included continuation of the efforts to cut costs and to increase efficiency, a focus on end-customer satisfaction, provision of better service and employee development, in a search for growing levels of development and motivation.

In order to achieve these objectives the Operations Department continued the previous years' process rationalisation and re-engineering efforts, besides incorporation of new operatives providing gains of efficiency, such as the Millennium bcp Investment Funds back-office and centralisation of some operatives still resident at Companies and Corporate branches. These measures were reflected in a reduction of external costs and of employee numbers, with emphasis on the release of 20 employees to the commercial networks, within the scope of the Commercial Skills Development Programme (PDCC).

The "SER D.O." Project, particularly through the measures undertaken and through the Bank's in-house means of communication, contributed to Operations Department's employees development and motivation, reflected in the good performance of their satisfaction indices. In parallel, diagnosis activities were concluded and the first projects were implemented within the scope of employee skill development projects, with a focus on end-customer satisfaction. Here, emphasis is on the analysis of the telephone attendance.

In 2010 the Operations Department will centre on continuation of implementation of operative improvements, the results of which will increase efficiency in line with the financial commitments entered into, besides employee enhancement and an improvement of the service provided. To this end, it will continue the Skills Development Programme already begun, with a focus on service quality, an effort that will be directed at improving service levels for end customers through greater interaction with the commercial networks and closer partnership with the marketing areas.

Credit Department

During 2009 the Credit Department carried on its activities directed at ensuring adequate adaptation of the credit analysis and decision process criteria to the particularly challenging envirnoment. In parallel, more resources were assigned to loan-portfolio monitoring and supervision with a view to proper prevention of non-performance. This concern affected all customer segments, especially the Corporate, the Companies and the Retail networks. The results can be considered very good.

New projects went ahead and were launched to improve internal efficiency. On a par with a decline of the number of applications analysed as a result of the increase of automated credit decisions, this allowed staff downsizing. As a result of these measures the service-level indicators continued to be good, while internal-customers' satisfaction levels improved at all units of the Credit Department.

In a context of increasing contribution by the automated credit decisions, the Risk and Decision Models Unit extended and deepened the respective assessment models, both in Portugal and at the Bank's operations abroad.

Very significant steps were taken in the Basic Risk parameters project, defining an innovative methodology in the approach to loans to companies, the bigger ones in particular. This initiative is expected to have an impact on the networks in 2010.

The Bank's decision to segregate the assignment of ratings - previously the responsibility of the Credit Department - and the credit decision led to setting up a new Rating Department and implied a comprehensive overhaul of responsibilities and circuits as from the second half of 2009. The work and projects caused by this organisational change continue, and it will be consolidated in 2010.

With a view to improving the alignment of the Credit Department with the different customer risk segments and to increase the efficiency of the decision process, the analysis units were reorganised and their composition is now as follows:

- Risk and Decision Model Analysis Unit, involving customers covered by the automated decision models;
- Small Corporate Unit (North and South), involving companies of the Retail network not covered by the automated decision models;
- Corporate Analysis Unit (North and South) involving customers of the Corporate and Companies networks;
- Private, Banks and Sovereign Analysis Unit.

Rating Department

The Rating Department was set up in July 2009 following internal reorganisation within the scope of the Bank's candidature process in respect of the Internal Ratings Based (IRB-Basel II) methodology. It appeared with the decision to separate credit-extending risk assessment, the aim being to improve the efficiency and the quality of the credit-risk assessment processes. Its mission is to ensure that the risk of all the Bank's customers is properly assessed on a permanent basis. To this end its plan is to build up a number of specialists in company-risk assessment in order to contribute:

- to timely assessment of the variation of customers' risk and, in those cases of deterioration, risk prevention and/or increase of the collateral and, in cases of improvement, a more competitive commercial action;
- to perfecting commercial practices in timely collection of information from the customers;

- to strengthen the risk culture in the various areas with which the department is related, the commercial areas in particular;
- to improve information quality to make the automation on which the networks' management information is based more efficient and less fallible;
- to identify the more systematic deviations of the models, with a view to providing the Risk office with material to perfect them.

The Rating Department's organisational model is based on five teams: three rating units, whose mission is to assess customer risk; a financial analysis unit, charged with ensuring the quality of the customers' accounting information and its availability within the Bank's system; and a Center for Technical Support, responsible for planning and organisation, production of management information and results monitoring.

At this time the Rating Department is undergoing growth and reorganisation, and it took on an additional 14 new analysts at the start of December, doubling the number of its raters and taking over responsibility for drawing up the economic and financial analysis report on companies. The Rating Department continues to improve risk analysis on customers, improving the existing methodologies applied, such as to the Large Corporate, with the introduction of sectoral analysis of markets and competition, and introducing models of risk assessment specific to Project Finance, Real Estate Development and Startups.

The move into production of a workflow system suited to the needs of the department is scheduled for the 1st half of 2010, which is being developed by the DIT. Also planned for 2010 is the organisation of training courses or interaction with the commercial networks. Here, the aim is to promote risk culture within the Bank and classification of all the Bank's customers on the basis of the methodologies provided for in the rating regulations. The Bank also expects confirmation of the quality of its models, receiving Bank of Portugal approval of its IRB – Basel II candidature, which is the department's main ambition.

Credit Recovery Department

The year under review was marked by consolidation of Retail's new recovery operative, involving definition of new circuits, teams and procedures applied to customers, that was introduced to the work lines of the Credit Recovery Department (DRC). The main focus was on consolidation of collection capabilities and on credit restructuring of the 1st and 2nd lines, to ensure fast solution of problems. In parallel, developments were introduced to the application supporting the recovery model, the aim being its ongoing appropriateness to the requirements of the business. Recovery of those customers that, at the time of the launch of the new Retail recovery model, were already being monitored by the DRC was concluded. This task involved resolution of the respective non-performance through sending the customers to the monitoring teams of lawyers (litigation) or through their inclusion in groups that are being monitored on an outsourcing basis.

With regard to the litigation area, developments were introduced to the application that supports it (SRC) and to those related with the external module (used by external lawyers). The internal model is scheduled for conclusion in 2010. In addition the former Judicial Co-ordination Action and Litigation Unit is being transformed into a separate division called the Litigation Division.

The second half of 2009 was marked by efforts directed at manual gathering of information for the calculation of Loss Given Default (LGD). This task is of the utmost importance to the Bank's candidacy to the advanced credit-risk methods within the scope of the Basel II Accord.

DRC's aim in 2010 will be to continue to consolidate Retail's recovery model and, at the start of the year, to strengthen and restructure the Major Risks (South) recovery team. New technical and legal skills will allow it to face new entries and increasing numbers of past-due loans and impairments in this area.

A permanent team is to be set up to systematise and rationalise efforts to collect information for the calculation of the LGD. This team will also be charged with selecting a tool to support the process described above.

Also planned is the implementation of a project to systematise and automate the collection and presentation of DRC management information, called the DRC datamart, which will provide recovery teams with a complete, effective consultation and information instrument, as is the launch of a specific site for the DRC.

Corporate Areas

The Corporate Areas include the Risk Office, Compliance Office, Research Office, Audit, Budget Planning and Control, Assets and Liabilities Management, Financial Holdings and Valuation, Management Information, Accounting and Consolidation, Investor Relations, Communication, Quality, Litigation and People Management Support divisions, as well as Tax Advisory, the Foreign Business Support Unit, Alpha and Optimisation & Performance project teams, the Legal Division, the General Secretariat, the Company Secretariat and the Millennium bcp Foundation.

During 2009, of the activity of the Corporate Areas, highlights include the initiatives involving employee management, support to strategy development, greater discipline in risk and capital management, and the measures directed at Bank's streamlining and at greater efficiency.

Staff Management Support Department

The introduction of the new Individual Performance Appraisal System, an instrument that is fundamental to an increase of ongoing, objective appraisal, underpinning the definition of personal development plans better suited to the management of employee careers and to the development of their skills, was the most outstanding measure taken by the Personnel Management Support Division, during the year. Additionally, programmes were strengthened designed to accelerate better-performing employee development, creating conditions allowing them to take over duties of greater responsibility and complexity (People Grow, Young Specialist, Grow Fast, Grow in Retail, Master in Retail, Leadership in Retail), as well as internal mobility processes (PDCC – Commercial Skills Development Plan; PDQ – Management Staff Program and New Courses). To strengthen organisational empathy and to share knowledge, the "A Day with the Customer" programme was created, the idea being to provide central services employees with information on day-to-day direct contact with customers. The professional enhancement projects suited to specific needs and duties of the various areas continued to warrant special attention, with emphasis on "Changing IT for Better", "IT Academy", "SER DO", "People Management" and "More and Better Sales in Retail". Complementing specific training, the Millennium Seminars were held to foster broader discussion and reflection among all participants. Aware of the value of experience in the knowledge society and of the need to encourage transmission of empiric knowledge, the "We Value Experience" programme was launched, the intention of which is to contribute to an increase of the "social capital" of employee cohesion. Since one of Millennium bcp's fundamental goals is to improve the availability and quality of customer service, a decision was taken to distinguish and reward the branches returning the best results, with implementation of the Networks Incentives System.

Audit Department

The Audit Division carried on the activities included in the 2009 Audit Plan, with emphasis on the audits forming part of the Independent Review Function, essential to the proper pursuit of the process of the Bank's candidature within the Basel II framework and, also in this connection, on the audit of the Internal Capital Adequacy Assessment Process (ICAAP). The activity of the Audit Division also included drawing up reports on the Internal Control System of the Bank and of other Group institutions, presented to the Bank of Portugal and to the Securities Market Commission (CMVM) at the end of June 2009, and the monthly monitoring of the implementation of the recommendations set out in these reports, reporting back to the EBD and to the Audit Committee (CMF) of the Supervisory Board; monitoring the activities of the supervisory authorities, the Bank of Portugal and the CMVM in particular, replying to their requests for information, with emphasis on the support provided to the Bank of Portugal's permanent team accredited with the Bank as from May 2009; and the monitoring of the activity of the networks and of the Central Services, as well as of that of the subsidiaries abroad, particularly with regard to liquidity management and to the information systems. Also notable for the activity of the Audit Division is the increase of investigation processes relating to scams or fraud involving payment instruments, with the consequent increase of the number of activities related with legal assistance.

Compliance Department

With a view to extending the scope of intervention of the Compliance Office, automatic control mechanisms have been introduced to ensure effective compliance with internal and external regulations by the business and corporate areas and, as a fundamental means of increasing the efficiency of procedures, the existing circuits have been realigned and IT tools have been introduced to ensure better-focused and more effective control and greater automation of the customer and transaction monitoring system. Of the new procedures implemented to control and monitor non-conformities, we would underline the consolidation of the scoring structure and the real-time classification of the money-laundering risk of all entities, customers or otherwise; the validation of all warnings of customers having a high money-laundering risk; the significant reduction of irregularities in the customer and current-account opening process; the classification of investor customers in accordance with the requirements of legislation enacted within the scope of the MiFID; and the regular production of the report on risk compliance by the various levels of the commercial structures. Also from the risk-assessment standpoint, intervention in the processes of extending credit, customer complaints and analysis and validation of all advertising matter in respect of all the Bank's products, services and commercial campaigns played a significant role in the activity of the Compliance Office. It was also involved in the implementation of the new legislation, ensuring compliance with the duties of information, both through episodic intervention as and where required, and through a final review of all procedural rules, with special emphasis on the price-list implementation process, on monitoring implementation of the duties of information on products and services stemming from legislation enacted during the year, and on the entire intervention within the scope of the public hearings organised by the supervisory authorities. Training, too, both of a mandatory nature in the matter of money laundering and combating the financing of terrorism, and also that relevant to a proper understanding of the concepts and procedures stemming from the new legislation and from the in-house adoption of new regulations, had a positive impact on those involved.

Risk Office

The activities of the Risk Office were centered on ongoing strengthening of risk-management policies and models with a view to keeping in step with best market practices, with incorporation of the experience provided by the recent financial crisis and transition to the more advanced approaches in respect of the calculation of the Group's capital requirements. In this connection, the emphasis is on the authorisation granted by the Bank of Portugal, during the 2nd quarter of the year, for the use of internal modelling (VaR) to calculate the capital for the general market risk (in Portugal), as well as on the use of the standard method in calculating capital in respect of the operational risk (on a consolidated basis). Additionally, this area enhanced its role and duties in fulfilling its obligations in respect of the internal-control system and environment. In this way, the Risk Office contributed to meeting the Group's objectives for 2009 in respect of the commitment to improve solidity and confidence through increasingly thorough, integrated management of risk, liquidity and capital. The activities and developments in the risk-management area are covered in detail in the chapter on Risk Management.

Planning and Budget Control

Within the scope of the Group's organisational restructuring implemented in 2009, the Budget Planning and Control Division (DPCO) took over, in July, the areas and functions related with planning and control, both from the standpoint of analytic operating cost management and of measurement of the performance of the Central Services units, and also in the field of strategic planning and budget control of the Group's consolidated business. The DPCO's mission is to provide specialised technical support to the EBD, proposing strategic guidelines for the pursuit of the business goals established for the Group's various business areas and subsidiary companies in Portugal and abroad, side by side with management of operating costs, of investments and of the performance of central services divisions of the Bank and of Millennium bcp Serviços, undertaking co-ordination, integration and control of the execution of the respective individual and consolidated annual budgets. During 2009, in addition to those regular and systematic activities the DPCO took part in several projects and initiatives, either pioneering or of a strategic nature, assigned to the division or in co-operation with other units, notable for their importance: (i) participation in the systematisation of the Group's governance model and of the Bank's organisational structure within the framework of the Internal Control System (Bank of Portugal Notice 5/2008), and in monitoring IT developments allowing this system to interface with a proper application (XLTI), so as to make the information available to Group employees: (ii) implementation of the SAFT- Standard Audit File for Tax Purposes (Order-in-Council 321-A/2007),impacting on the enhancement of the multi-domestic invoicing process; (iii) consolidation of the performance appraisal model of the Central Services' units based on the Balanced Scorecard methodology, especially through broad application of uniform processes and criteria, improving the strategic alignment of the units, and through the quarterly monitoring meetings between the area Director and the senior officers of the units involved; (iv) co-operation in the "Conditioned Interest Perpetual Subordinated Securities" issue process; (v) co-ordination of the preparation of the first "Market Discipline" report for 2008, within the scope of the information requirements of Pillar 3 of Basel II; and (vi) involvement in the interaction with the Bank of Portugal within the scope of the process leading to the adoption of the standard method for the purpose of calculation of the capital requirements for operational risk.

Assets and Liabilities Management Department

Within the scope of the Group's organisational restructuring implemented during 2009, the Assets and Liabilities Management Division was also formed, its responsibilities will include capital management, interest rate and Group liquidity.

Financial Holdings & Valuation

The mission of the Financial Holdings and Valuation Division is to manage financial holdings and the development and management of valuation criteria to support the financial management of the Group. During 2009 the division took over responsibility for the management of the financial holdings included in the Millennium bcp investment portfolio, with due regard for the guidelines established by the EBD. The aim is to safeguard the interests of the Group and to create value. The process of selection and sale to institutional investors of non-performing loan operations continued to be developed in articulation with the Credit Recovery Division. During the year, the volume traded declined because of both the downturn of demand and also of the lesser attractiveness of valuations, factors induced by the general economic and financial situation. In conjunction with the financial markets and corporate areas, the division provides support to their management and reporting activity and ensures the development and maintenance of the associated valuation solutions. In this framework its actions are guided by qualitative objectives of fundamental importance – strengthening management processes and control of trading, investment and hedging financial instruments – and also the Group's responsibilities and practices in terms of calculation of financial instruments, contributing to meeting the Group's goals within the Basel II framework.

Quality Department

During 2009 the Quality Division continued the project to extend the documentation control system in force at Millennium bcp to other operations abroad, namely in Angola, the improvement of the working model at Millennium bank in Romania, and the start-up and development of the support structure in Greece, Poland and Mozambique. Greater efforts were directed at the documentation of the Bank's circuits and responsibilities, in order to improve overall organisational efficiency through greater knowledge of the areas of intervention and of inter-departmental relations, clearly bringing about an increase of value in terms of perfecting operational and business processes. Satisfaction evaluation continued in the three strategic areas: employees, internal customers and customers. In parallel, the Quality Division was particularly committed to monitoring the Bank's various areas so as to turn the conclusions of the various studies performed into concrete measures. In connection with operational risk control measures, the Quality Division, in conjunction with other of the Bank's areas, formalised the principles and guidelines of management by processes. In 2009, the Management by Processes Support Unit was created, the aim being to simplify the Bank's constant alignment with the principles and guidelines referred to above and to support the Bank's various areas in those matters that concern its "quality certificate".

Research Office

Within the scope of the Group's organisational restructuring implemented in 2009, the Research Office was also set up, its mission to provide technical support to the EBD in the process of taking strategic and routine management decisions concerning the Group's business and operations through preparation of high-quality, thorough, consistent and timely reports, studies and analyses of an institutional, corporate, strategic, financial and economic nature. Another mission of the Research Office is also to co-ordinate or take part in structural or broad-range projects of various kinds, in conjunction with other units and external consultants. During the 2nd half of 2009 the Research Office complied with the periodic obligations of reporting on the Bank as a public limited company, co-operated in the preparation and analysis of documentation for the EBD and the Supervisory Board, prepared presentations, speeches and statements by members of the EBD, supported the Bank as issuer on the capital markets, took part in the development and consolidation of the use of economic capital as a control and management instrument at BCP, took part in the preparatory work ahead of the increase of Bank Millennium share capital, in Poland, and in the process of appraisal of the possible impairment of the Group's financial holdings, and performed benchmarking and competitor monitoring analyses. The Research Office also monitored and analysed the situation of the economy, of the markets and of the financial systems, having co-operated in initiatives organised by various of the Bank's units, directed at internal and external customers, drawing up economic publications on a regular basis for internal consumption, and taking part in forums related with the subjects of regulation and supervision of the financial system. To simplify perception by the various stakeholders of the activities carried on by Millennium bcp in the field of sustainable development, the Research Office replied to five independent entities that analyse the sustainability practices included in the Bank's strategy. A Master Sustainability Plan was also prepared for 2010-12, directed at providing the framework for and simplifying the monitoring of those issues that the Bank considers a priority. In the field of innovation, 2009 was marked by perfecting in-house generation of ideas and by ongoing exploitation of the concept of directed creativity, the more mobilising of these having been realised in conjunction with the Direct Banking Division and with the IT and Technology Department.

Optimisation & Performance Project

To optimise the business and through the design of solutions applicable in the short term, and in view of the significant change of the environment during 2008, the 2010 Millennium Programme gave rise, at the beginning of the year, to a new Management Agenda that includes the Optimisation & Performance initiative, which covers five areas: increase of customer and funds attracting capabilities; commissions and margin optimisation; process and organisation simplification; optimisation of staff and third-party supplies and services costs; and credit recovery and impairment reduction.

Management Information Department

In 2009, the Management Information Department handled the regular recurring information collection and control of the commercial activity of the networks, the production of data related to the commercial incentive system and coordination of the budgeting process for the retail networks. In addition, the Management Information Department focused on the oversight of the repricing process, with the production of a monthly report on the level achieved by each network, the preparation of a credit price simulator, reports on Return on Invested Capital (ROIC) for applied spread and for spread with the desired ROIC, and the production of monthly charts with the evolution of the portfolio spread and of new production. The department also continued to produced and distribute tables for minimum spreads, as well as a weekly list of credit operations with spreads smaller than the approved minimums and term deposits with interest rates higher than the authorized maximum.

Accounting & Consolidation Department

The fuction of the Accounting and Consolidation Department (DCTB) is to prepare the consolidated financial accounts for the Millennium Group, with the aim of presenting a true and appropriate picture of the Group's activity. The department is also responsible for guaranteeing that all the acts and operations that are registered in the financial accounts are reflected in the financial reports, not only in strict compliance with the accounting norms and rules as defined by the various regulatory entities but also to ensure the rigor and oversight of all the accounting positions, verifying that they are consistent and properly justified. In 2009 the department also underwent a process to improve the new oversight mechanisms and to prepare manuals for the procedures related to all the tasks of the department.

Tax Advisory Department

In 2009 the Tax Advisory Department was restructured in order to improve service for internal clients. This involved the analysis and redefinition of existing procedures, with particular emphasis on the optimization of the recipt of tax-related notifications, thereby reducing the risk of the Bank failing to respond to requests from official entities.

Legal Department

The Legal Department continued to pursue its goals of improving services provided by the bank, by increasing the legal security of operations in order to safeguard the Group's interests, thereby seeking to avoid potentially litigious situations as well as liabilities stemming from the activity of the various departments of the bank. The focus was on increasing prior consultation, either by intervention of the Legal Department itself or by request from the other areas of the Bank.

Litigation Office

The Litigation Office was created in the second half of 2009. Its objective is to coordinate and provide the legal framework for litigation (actions agains the Bank, labour issues, penal issues and fines), with a priority focus on the area of credit recovery. Meetings were held with all the legal firms to revise each one's procedures and define recovery strategies.

General Secretariat

In 2009 the General Secretariat ensured the administrative management and logistic support for the statutory corporate entities, as well as the institutional relationships and external representation of the Bank. The General Secretariat also managed the bank's common spaces, the use and scheduling of meeting rooms and equipment, as well as the coordination of the drivers and fleet of vehicles used by the Board.

Company Secretary

The Company Secretary serves secretary at the meetings of the corporate entities, certifying the acts carried out in those meetings as well as the powers of the respective members. The Company Secretary also responds to requests from Shareholders for information, and certifies copies of meeting minutes and other company documents. The Company Secrrtary also ensures legal support for the Executive Board of Directors. Highlights include the role played in the simplification of the Company's corporate structure and the development and monitoring of the mediation process with small shareholders.

Foreign Business Support Unit

The Foreign Business Support Unit is na advisory unit for the Executive Board of Directors, with responsibility for monitoring the activity of the Bank's international operations. In 2009 it participated and promoted a variety of initiatives including the strategic reformulations in Poland, Turkey, Romania and the USA, as well as providing support for the process of the sale of the Turkish operation.

The activities of the Communication Department, the Millennium Foundation, the Compliance Office, and the Human Resources Department will be analised in the Sustainability Report.

The activities of the Communication, Millennium bcp Foundation, Compliance and People Management areas are dealt with in the Sustainability Report.

Millenniumbcp Fortis

Millenniumbcp Fortis, of which 51% is held by Fortis and 49% by Millennium bcp, is an institution specialised in marketing Life insurance (risk, savings and capitalisation) and Non-Life insurance (personal and property) through the banking, agents and brokers channels. In health insurance Millenniumbcp Fortis also operates via the direct channel, particularly through partnerships and distribution agreements with other insurers that operate in the Portuguese market. Millenniumbcp Fortis is also the market leader in pension fund management and, for this business, it uses both the banking distribution channel and the traditional brokers channel.

In 2009 Millenniumbcp Fortis continued to grow at a faster rate than the average of the Portuguese market both in Life and Non-Life business, with direct insurance premiums amounting to euros 2.371 billion. In Life business the volume of direct premiums stood at euros 2.163 billion. Retirement Savings Plans (RSP) showed excellent performance, with growth rates of more than 2 percentage points, illustrating the investment policies suited to the needs and demands of the savers. Against a background marked by high volatility and scarce liquidity, retirement products and capitalisation products with guaranteed capital and returns became safe-haven products for Portuguese savers averse to other financial products involving greater risk. In Non-Life business, direct insurance premiums grew 10.5% compared to the previous year, a remarkable fact given the 4.6% returned by the overall insurance market, once again conditioned by the poor performance of the Portuguese economy and by the intense competition among operators.

Millennium bcp Fortis — Million euros

	2009	2008	Chan. % 09/08
Direct written premiums			
Life	2,163	2,238	-3.4%
Non Life	208	188	10.5%
Total	2,371	2,426	-2.3%
Market share			
Life	20.8%	20.3%	
Non Life	5.0%	4.4%	
Total	16.3%	15.8%	
Technical margin (1)	230	144	59.7%
Technical margin net of operation costs	143	60	138.1%
Net profit (2)	127	63	102.9%
Gross claims ratio	60.9%	54.7%	
Gross expenses ration non life	23.2%	25.7%	
Non life combined ratio	84.1%	80.3%	
Life net operation costs / Average life investments	0.9%	0.8%	

(1) Before allocation of admininstrative costs.

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

The consolidated net income for 2009, before value of business acquired (VOBA), stood at euros 127 million. Millenniumbcp Fortis showed that it had a solid, robust business model able to overcome the demanding situation of the economy, maintaining a solvency ratio far above that required by the supervision entity. With its excellent technical performance, a product investment management policy, a diversified product range and strict control of operating costs, Millenniumbcp Fortis was successful in overcoming the adverse effects of the capital markets, returning in Non-Life a combined ratio of 84.1%, unparalleled on the Portuguese market, and in Life an expense ratio of 0.9%, with considerable growth of the technical margin.

Notwithstanding the economic environment, the main strategic targets set up by Millenniumbcp Fortis were amply achieved, fully meeting its medium- and long-term plan, which is based on four pillars: Growth, Productivity, Quality and Profitability.

Growth – 2009 was yet another record year for PPR premium volumes, outperforming the 2008 figures, which had been the best ever. Once again, the emphasis given to the customers' financial needs from the standpoint of setting aside long-term savings to help sustain purchasing power on retirement, to the detriment of tax benefits, allowed continuity in increasing the volume and penetration rate of the RSP products.

In the same way, in capitalisation insurance, the focus on the customers' needs, driven by the culture of innovation in product development, allowed Millenniumbcp Fortis to return two-digit growth of the volume of premiums, consolidating the company's second position in the market in the ranking of this business line.

With regard to unit-linked products and having broken through the billion-euro barrier in premiums for the first time in 2008, there was a programmed slowdown in 2009, which nevertheless led to keep market leadership in this business line.

Despite the adverse situation of the economy, sales of Médis products continued to grow above the market average, the result of diversification of the distribution channels, a careful approach to the various segments, and consistent investment in promotion of the brand, the uncontested awareness leader in its segment since the company was set up in 1996.

The launch of new risk products sold through the banking channel (Life and Non-Life) contributed to a continuation of the sustained growth of the penetration rate of the Bank's customer base by insurance, standing for several years at levels of excellence that constitute international benchmarks.

The launch of the new business channels directed at the SME segment, based on a carefully-selected network of agents and brokers, also provided remarkable growth of the production of Ocidental Seguros, making a decisive contribution to the growth of the volume of Non-Life premiums, outperforming the market and generating a 0.7 p.p. increase of market share, notable in a year of economic recession and in a concentrated, mature and competitive market.

Productivity – Efforts continued to optimise the reference business model, based on the *bancassurance* channel and on renovation of the product range. New products generate 50% of the new production.

Quality – Continuity was given to the integration of the sales and after-sales service processes into the Millennium bcp applications, with significant (and recognised) improvement of service quality provided in recent years to internal and external customers. The improvement of the service in recent years is clear in the performance of the Bank's overall satisfaction index, with the service provided by Millenniumbcp Fortis rising from its classification of about 60% at the start of 2005 to more than 73% at the end of 2009.

Profitability – This is a consequence of the three preceding pillars and the objective is to ensure attractive remuneration and sustainability for its shareholders.

Generally attesting the good execution of the medium- and long-term plan, attention is also drawn to the award to Ocidental Vida by *Exame* magazine of the "Best Big Life Insurer of 2008" prize, as well as to the initiative involving the creation of the "Médis Prize for Excellence in Health Research", revealing the pioneering spirit of this insurer and consolidating its image of credibility and confidence in the Médis brand.

Although 2010 will be marked by persistence of factors adverse to the development of the business, such as the general instability of the financial markets, the incipient upturn and high unemployment, Millenniumbcp Fortis will endeavour to maintain high quality and innovation standards, and to increase the motivation and productivity of its employees, continuing to develop a strategy of sustained growth underpinned by the offer of quality products and by recourse to the most modern communication and information technologies.

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Risk management

Risk management is an essential framework for the development, profitability and sustainability of the Group's business, forming a set of mandatory functions which ensure that the Bank and its subsidiaries fully conform with the legal requirements and regulations related with determining the appropriate level of own funds for the exposure to the risks that arise from its banking and financial activity and, also, forming a fundamental component of Group's global internal control environment.

Within this context, risk management continued to be developed in 2009 through a number of well defined lines of action, amongst which, in general terms, the main ones are the following:

- continuity of the work related with the approval process of the Group's application to the calculation methods of regulatory capital requirements which need to be authorised by the Supervisor;
- the increase in and systematic improvement of the internal procedures for risk assessment and reporting.

In terms of the application process to the advanced methods of Basel II, the Group obtained formal approval from the Bank of Portugal regarding the use of the standardised method for operational risk on a consolidated basis (and on an individual basis for entities in Portugal) and for the use of the Value at Risk (VaR) model in calculating capital requirements for the general market risk, relating to business in Portugal. Furthermore, a main feature in 2009 was the strenghtening of activities to bolster the Group's application to the internal ratings based approach to the calculation of capital requirements for credit risk, in the context of the validation work already begun by the Supervisor.

In this sense, the Group concluded a number of major changes in terms of the credit process, with special mention to the autonomization of the capacity to attribute rating grades to clients. For this, the Rating Division was set up, reporting directly to the Executive Board of Directors (EBD) and having the responsibility for the attribution, validation and approval of the risk grades of clients. The creation of this Division ensures a total segregation of functions between credit rating and credit decision.

Also, in relation to Basel II, at the end of the first half of the year, the "Market Discipline" report, referring to the end of 2008, was published on the Millennium bcp's internet site, in which comprehensive information was provided on the Group's financial situation and solvency, as well as information on risk and capital management processes and systems, in the light of the requirements described in Bank of Portugal's *Aviso* no. 10/2007 (Pillar III). Volume II of this Annual Report & Accounts includes the "Market Discipline" report for 2009.

Under Pillar II of Basel II (Supervision Process), the Group prepared and issued a detailed report for the Bank of Portugal, relating to the determination of its capital needs from an internal perspective, i.e. within the framework of the Internal Capital Adequacy Assessment Process (ICAAP).

Another main feature in terms of internal control is the Risk Office's participation, together with Internal Audit and the Compliance Office, in the production and delivery to the Bank of Portugal of the annual internal control report, in the light of the requirements described in the supervisor's Notice no. 5/2008.

Finally, a reference should also be made to the improvements and developments achieved in 2009, regarding the processes of risk identification, assessment and monitoring, as well as the corresponding internal reporting, namely, to the Financial Matters Commission of the Supervisory Board and to the Bank's Risk Commission.

Risk management and governance

In 2009, the Group maintained a functional model of broad-based and multi-domestic risk management control, with the EBD responsible for the governance of this model. The Risk Commission –in which all of the members of the EBD have a seat – has the direct responsibility for the monitoring and control of each type of risk.

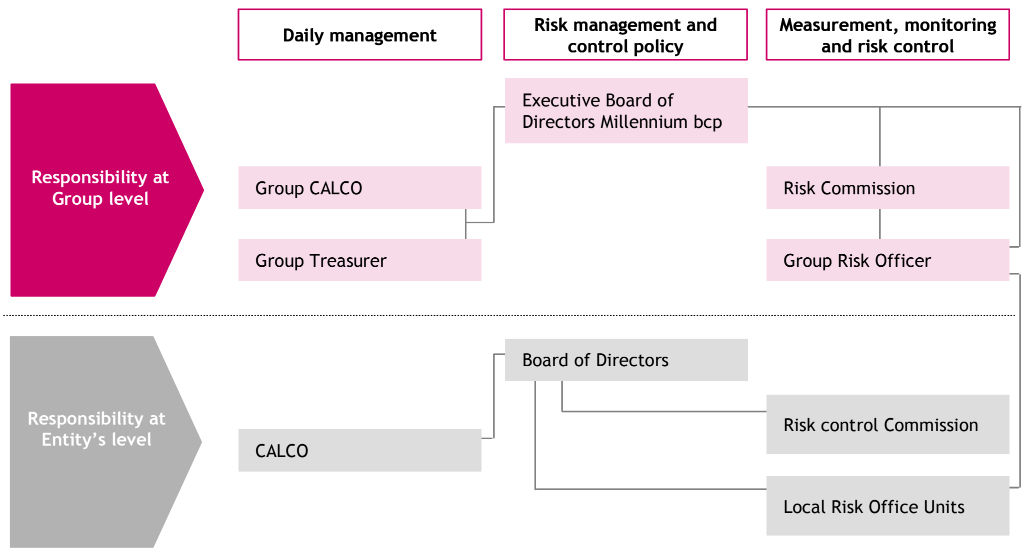
The coordination and execution of the identification, assessment and monitoring of risks is entrusted to the Group Risk Officer, as well as the promotion of the implementation (or direct implementation, in some cases) of the elements and instruments of risk control in all the business or in all functional areas supporting the business.

The Group CALCO is the body responsible for the structural management of liquidity, for the management of the ALM portfolio which materializes the market risks to which the Group is exposed and, also, for the allocation of capital and the definition of transfer rates (adjusted to the current prices of the different risks) to be attributed to the various financial products sold by the business units.

The implementation of risk management policies is multi-domestic, being performed through the local structures of the Risk Office and the Risk Governance bodies in the main subsidiaries outside of Portugal (the local Risk Control Commissions).

The following figure is an outline of the described governance model.

Risk management and governance model



Highlights and main developments in risk management

Amongst the initiatives and activities that reflected new developments within the risk management of the Group in 2009, the following deserve special mention:

- the review of the credit risk assessment models in the companies segment;
- the creation of an unit structure, independent from the credit granting decision bodies, responsible for attributing, validating and approving internal ratings (the Rating Division, reporting directly to the EBD);

- the updating of the Loss Given Default (LGD) estimates, within the process of its annual recalculation, along with the review of the LGD estimation model, in line with the launching of a new drive of data collection from the credit recovery dossiers;
- the creation of a new database of physical assets received as collateral in credit operations and the effective start of its real-estate (mortgages) component;
- the revision and updating of the main Group-wide internal standards and regulations relating to risk management, as well as the creation and approval of new internal regulations related with the new context of attributing ratings and related with operational risk management;
- the issue of the regulatory reports regarding Pillar II and Pillar III of the Basel II Accord, as well as the issue of the annual internal control report;
- the consolidation of the Loss Data gathering process in the main countries where the Group operates;
- the actions undertaken related with liquidity risk management, in the context of the market liquidity crisis experienced between the end of 2008 and the first quarter of 2009;
- the continuous support of the work of the Bank of Portugal's Supervision Department's team which, *in situ*, has been carrying out the validation work concerning the Group's application for the internal ratings methods for the calculation of regulatory capital requirements relating to credit risk.

Basel II

In the first half of 2009, the Group obtained authorization from the Bank of Portugal to use regulatory capital calculation approaches that required such an authorization, concerning operational risk and market risks.

Hence, since the 31st of March 2009, the capital requirements for operational risk on an individual basis in Portugal (and on a consolidated basis) are calculated through the standardised approach, the Group assuming the comittment to implement a set of improvements by 31 December 2010. Besides this, the Group also obtained authorization from Banco de Portugal (with the same reference date) regarding the use of the VaR model to calculate its capital requirements for the generic market risk, relating to its activity in Portugal.

In parallel, the Group pressed ahead with developing its efforts aimed at consolidating the IT infra-structure supporting the calculation of its capital requirements. This applies both in terms of the identification and classification of exposures in accordance with regulatory categories across the Group's consolidation perimeter, and in terms of the parameterization of IT routines for the calculation of capital requirements. Within this context, amongst other activities, a highlight should be drawn to the steps taken to improve the quality of Risk Office DataMart information, particularly for business outside of Portugal.

These improvements also helped to obtain significant benefits in the risks assessment capabilities concerning the risks incurred by the Group in the different markets where it operates.

Economic capital

The identification of all the material risks inherent to the Group's activity and the respective quantification, monitoring and management - bearing in mind the possible effects of correlation between the different risks - is one of the main challenges raised by Basel II and requires the development of internal methodologies of risk assessment.

Implicit in Pillar II of Basel II (the supervisory review process) is the existence of risk control and capital management systems by financial institutions, that are appropriate to its corresponding risk profiles as measured through an Internal Capital Adequacy Assessment Process (ICAAP). Within this context, the Group established as a priority the development, improvement and consolidation of its internal models of assessing economic capital needs.

In general terms, economic capital is defined as the amount of capital necessary to absorb potential future losses, with a pre-defined probability, so as not to affect creditors. This concept is more sophisticated than the notion of regulatory capital as it allows for a connection to be established between the Bank's risk tolerance and its need for capital.

Under the ICAAP, additional types of risk are considered in relation to those of Pillar I (regulatory capital) and the calculation of available financial resources includes, for example, the expected value of the difference between the fair value and book value of an asset or, also, expected future profits, excluding subordinated debt with a determined maturity.

The comparison between the economic capital and the financial resources available so calculated – resulting in a measure of risk-taking capacity -, allows for an economic view of capital adequacy, making it possible to identify activities and/or businesses that create value.

Bearing in mind the nature of the Group's main activity in the markets in which it operates (Retail Banking), the main risks considered for the purposes of the ICAAP are the following:

- credit risk;
- operational risk;
- risk of unhedged positions in the Trading and Banking Books;
- equity risk;
- real-estate risk;
- Pensions Fund risk;
- liquidity risk;
- business and strategic risk.

For the calculation of economic capital, the Group considers a time horizon of 12 months, bringing together several factors of an economic, regulatory and practical nature around the same forecast scenario: business planning, external ratings, regulatory capital under Pillar I and the quantification of the credit risk through internal PD (probability of default) models, among others.

Considering the Group's expectations and objectives in terms of its own grading by rating agencies, the economic capital model assumes an overall probability of default, at 12 months, of 6 basis points, which reflects an objective rating of "A+".

The quantification approaches used are based on the VaR (Value At Risk) methodology, the maximum value of potential loss being calculated for each risk, for a time horizon of 12 months, with a 99.94% confidence level.

Regarding the metrics used in the calculation, these are illustrated by the following table:

Material risk types within Millennium Group and respective evaluation metrics

Risk type	Sub-type	Metrics
Credit risk		Credit portfolio model
Market risks	Trading Book risk	VaR model
	Interest rate risk in the Banking Book	
	Equity risk in the Banking Book	Long term VaR model
	Real-estate risk	
Operational risk		Standardised Approach
Liquidity risk		Stress Tests model over the funding costs
Pensions Fund risks		Simulation model
Business and strategic risk		Model based on the specific volatility of BCP shares

Aggregation of risks at the various levels of the organizational structure of the Group includes the calculation of the effect of the benefits of diversification, leading to an overall result which is less than the sum of the various individual components. Hence, the diverse types of risk are not perfectly correlated and the simultaneous occurrence of the worst-case scenarios is improbable.

A combination of two methods is used for this purpose: i) the correlation method and ii) the dependence of extreme events (copula approach). In general terms, through the correlation method, the value of total economic capital is obtained from the individual values and from the correlation matrix. This method also allows the calculation of contributions towards the global risk of each type of risk.

The correlation matrix is obtained by submitting the historical series of losses to an implicit linear correlation analysis, which differs from traditional linear correlation analysis as it recognises the dependence of extreme events.

Economic Capital as at 31/12/2009

euro million

	Dec 09		Dec 08	
	Amount	%	Amount	%
Credit risk	1,790.0	35.5%	1,480.3	32.3%
Market risks	1,320.8	26.2%	1,158.2	25.3%
Trading Book	24.3	0.5%	104.8	2.3%
Banking Book - interest rate risk	468.7	9.3%	351.6	7.7%
Banking Book - equity risk	603.9	12.0%	589.4	12.9%
Real-estate risk	223.9	4.4%	112.3	2.5%
Operational risk	436.5	8.7%	442.4	9.7%
Liquidity risk	250.4	5.0%	363.8	7.9%
Pensions Fund risk	956.8	19.0%	732.5	16.0%
Business and strategic risk	287.3	5.7%	400.8	8.8%
Non-diversified capital	**5,041.9**	**100.0%**	**4,578.0**	**100.0%**
Diversification benefits	-1,140.4		-1,115.4	
Group's Economic Capital	**3,901.5**		**3,462.6**	

The Group's global risk position at 31 December 2009 and 2008, represented by the economic capital calculated on these dates, is synthesized in the following table:

From the analysis of this table, it is important to highlight the increase of economic capital for credit risk, due to the worsening of the economic and financial status of individuals and companies that ocurred in 2009, as well as the improvement of the access conditions to the funding markets, especially in the second-half of the year, which determined the decrease in the economical capital for liquidity risk, compared to 2008

After the calculation of the economic capital and aiming at the definiton of a capital adequacy strategy in line with principle 1 of Basel II's Pillar II, it becomes necessary to determine the volume of financial resources available to meet the risks incurred: the risk-taking capacity.

For the calculation of such an amount, the Group considers a four-level classification of financial resources available in terms of its capital coverage, according to its availability, liquidity, reputational effect and regulatory treatment:

- Level 1: Provisions – immediately available resources to cover expected losses;
- Level 2: Available Own Funds – resources available to cover risks incurred which exceed expectations but that do no threat the normal functioning of the Bank;
- Level 3: Capital Reserves – core capital resources available;
- Level 4: Debt instruments – financial resources which can cover extraordinary losses inherent to an extreme scenario.

The borderline between levels 2 and 3 represents the threshold between two perspectives of capital cover:

Continuity: The objective is to ensure that small but frequently occurring risks can be absorbed without causing changes to the Bank's activities. This coverage objective places great emphasis on the concerns of investors, shareholders, employees and other stakeholders of the Bank.

Liquidation: In this case the objective is to protect investors' interests (for example, bond holders). This level of coverage is necessarily higher to allow the repayment of the debt and, also, to guarantee the loans of the Bank's creditors.

The following table illustrates the levels and coverage perspectives used in the ICAAP:

ICAAP's perspectives for capital coverage of risks

Continuity	**Level 1: Provisions** - Credit, securities and other assets' impairment - Annual estimated profits (net of dividends) **Level 2: Available Own Funds** - Fair Value reserves (earnings from financial instruments) - Positive differences between account value and fair value - Annual estimated dividends - Difference towards regulatory capital requirements (added)
Liquidation	**Level 3: Capital and Reserves** - Difference towards regulatory capital requirements (subtracted) - Other reserves and accumulated results - Bond issues' spreads - Capital, excluding BCP shares - Minority interests - Negative differences between account value and fair value - Actuarial losses in the Pensions Fund - Goodwill - Intangible assets - Deferred taxes **Level 4: Debt instruments** - Preferred shares - Perpetual subordinated debt - Non-perpetual subordinated debt

Monitoring and validation of models

During 2009, extensive monitoring and validation was performed by a unit that is independent from the models' development areas and encompasses the various types of risk, over the models for market risks and credit risk, which covered the various entities of the Group, with special emphasis on the detail of the work carried out in Portugal.

The models for market risks, the behavioural and applicational models for the Retail segment, the models for the Corporate segment and the LGD model for Portugal were evaluated.

The work was discussed in Validation Committees, recommendations were issued and decisions taken on the several aspects of the models under analysis, in accordance to the validations performed.

Credit risk

Credit risk is associated to losses and to the degree of uncertainty regarding expected returns, due to the inability of the borrower (and of his/her guarantor, if any) or of the issuer of a security or of the counterparty to an agreement, to fulfil their obligations.

The relevance of this risk is crucial with regards to its materiality in the Group's overall exposure to risk, in adittion to being a type of risk which has a practical and direct presence in the daily activity of its commercial networks.

In 2009, important steps were taken to improve risk assessment practices in the various segments of the portfolio, and to align in line with the main points of improvement that were pointed out as conclusions of the work field carried out by the Banco de Portugal.

It is important to highlight the following developments :

- the segregation of the rating process from the credit decision process, with the creation of the Rating Division as the entity responsible for the attribution, validation and approval of degrees of risk, reporting directly to the EBD;
- the review of the Corporate rating models, focusing on the qualitative module and on the policy of rating overrides;
- the diagnosis of the Retail rating processes and its models;
- the recalibration of the probabilities of default (PD) of the assessment models applicable to the Corporate and Retail segments;
- the extension of the scope of the TRIAD model to companies with annual billing of up to 2.5 million Euros;
- the update of loss given default (LGD) estimates, within its annual recalculation process and the launching of a new drive to gather data from credit recovery dossiers;
- the creation of a new database of physical assets received as collateral to credit operations.

Along 2009, the continuing improvement of the monitoring of the credit portfolios and its reporting to the Financial Matters Commission and to the Risk Commission is also worth mentioning. Within this scope, there has been a significant improvement of the analysis of the different dimensions of credit risk, based on the information stored in the Risk Office Data Mart relating to the credit operations of the more important entities of the Group, , namely:

- in the monitoring of the portfolios quality over time, through the modelling of transition matrixes between risk gradings;
- in the timely detection of potential effects of concentration risk, in a broad-based perspective across all the markets where the Group is present;

- in the permanent and systematic assessment of the collateralisation level of credit operations.

Internal ratings and risk assessment

As mentioned above - and based on internal analyses as well as on the recommendations of the Bank of Portugal relating to the segregation of the rating and credit decision functions, an autonomous structure was set up at Millennium bcp, independent from the Credit Division and responsible for the rating of all clients or related entities, with loans or with the possibility of accessing credit: the Rating Division.

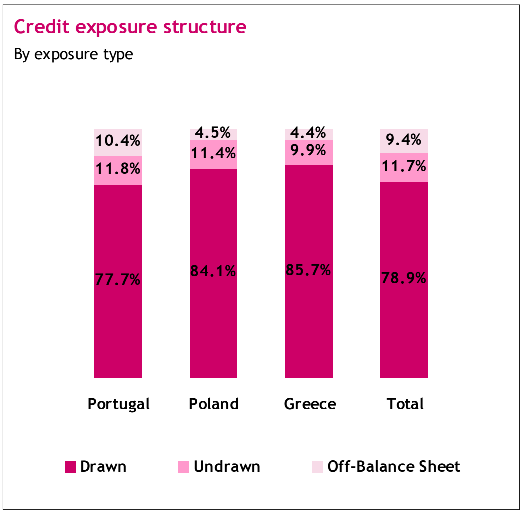
This Division reports directly to the Executive Board of Directors and has been operating since the end of June 2009.

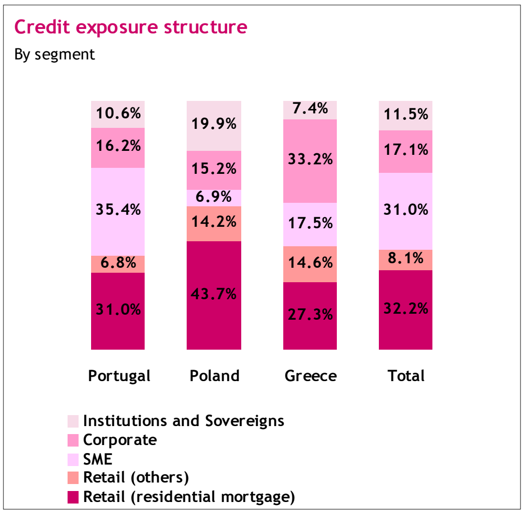
At the same time, the “Regulations for the Attribution and Revision of Degrees of Risk” were drawn up and approved, establishing the principles, processes, rules and capacities for decision making in rating grading of the Bank’s clients.

In adittion for the models that support the rating function, new modules of the qualitative assessment of companies were developed and implemented as part of an in-depth revision of the respective assessment models, specific models were created for for real estate promotion loans and for start-up company loans and the methodology concerning large corporate clients (with an annual turnover of over 50 million Euros) was completely revised.

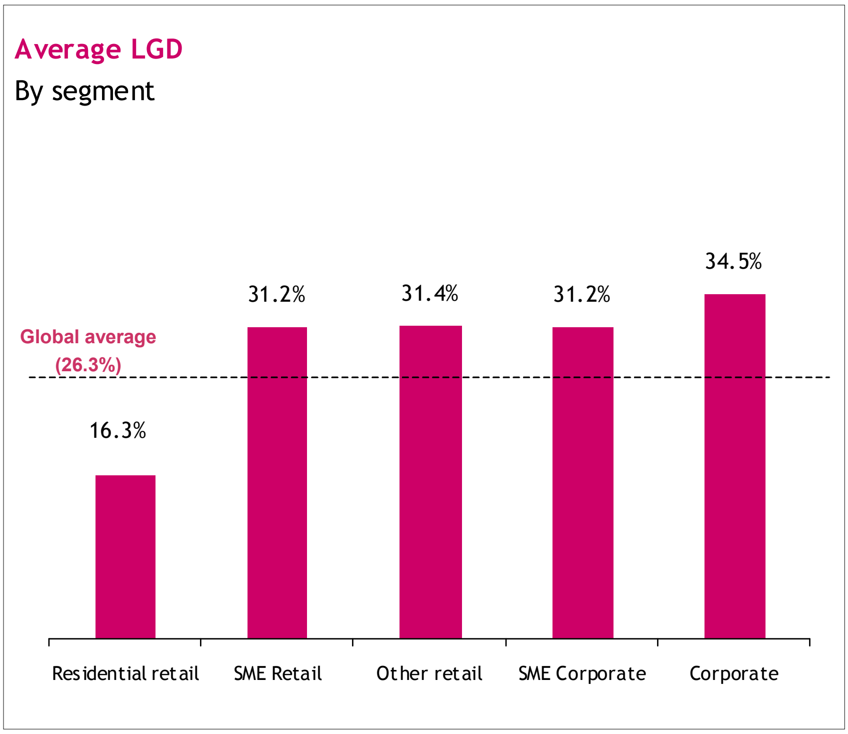
Credit portfolio breakdown

The breakdown of the Group’s credit portfolio at the end of 2009 – in nominal terms (i.e. contemplating Balance Sheet and off-Balance Sheet exposure) for each of the 3 main geographic areas of the Group or in terms of the Basel II segments of exposure, as illustrated by the following charts -, showed no significant changes compared with the portfolio on 31st of December 2008.





The average LGD parameters (% of expected Loss Given Default) for each Basel II segment, by 31st of December 2009, are presented by the following chart:



These parameters show the prudential standards followed by the Group for the requirement for collateral in credit operations, especially in the Residential Retail segment, for which an average LGD of 16,2% was verified.

Economic capital for credit risk

Economic capital for credit risk is calculated by using an actuarial portfolio model, developed internally, which provides an estimate for the probability distribution of total losses based on the exposures and specific characteristics of the Group's credit portfolio.

This model incorporates the measurements of the basic variables of credit risk assessment (Probability of Default – PD, Loss Given Default – LGD and Credit Conversion Factors - CCF) and also considers the uncertainty associated with these measurements by incorporating the volatility of these parameters. Furthermore, it also incorporates the effects of the diversification / concentration of credit risk, considering the correlation degrees between the various sectors of economic activity.

In December 2009, the economic capital associated to credit risk corresponded to 35.5% of the Group's total non-diversified economic capital, which represents + 3.2% in this weight, over December 2008.

Concentration risk

This type of risk is managed by the Group on a broad basis and as part of the control of each of the different risk types which could cause concentration situations, taken to be an increase of risk in relation to the assessment of each of those types.

Hence, for example, the Group's policy concerning the identification, measurement and asessment of concentration risk within the scope of credit risk is defined and guided by the Group-wide document *Credit Principles and Guidelines*, approved by the EBD of Millennium bcp, being applicable to all entities in the Group by transposition of its definitions and provisions to the internal documentation of each entity, after formal approval by the respective administration bodies.

Through the document mentioned above, the Group defined the following guiding principles relating to the control and management of concentration risk:

- the assessment of concentration risk and the monitoring of large risks, at Group level, is based on the concept of "groups of clients";
- a "group of clients" is a number of clients, either individuals or companies, related to each other, that represent a single entity from the perspective of credit risk, in the following sense: if one of these clients is affected by adverse financial conditions, it is likely that another client (or all of the clients) in this group will also experience difficulties in meeting their obligations as debtors;
- some relationship types between clients constitute "groups of clients". These include: the formal participation in an economic group, evidence that there is a control relationship (direct or indirect) between clients (including the control of a private individual over a company) or the existence of strong commercial interdependence between clients which cannot be replaced in the short term;
- in order to control concentration risk and limit exposure to this risk, a number of soft limits is established, defined in relation to own funds – either consolidated or at each entity's level;
- the Risk Office maintains, validates and monitors a centralised information process relating to concentration risk, with the involvement of all the entities of the Group.

The definition of concentration limits (more specifically, the various types of limits established) includes in itself the identification of the types of credit risk concentration considered to be relevant. The definition of the Group's concentration limits considers, namely:

- two types of "large exposure" (in terms of the Group or of each entity of the Group), this being the terminology which is used for the concept of large risks (significant exposure to a counterparty or to a group of counterparties);
- the basis used for the definition of large exposures and for the concentration limits is the level of own funds (either consolidated or for each entity of the Group);
- concentration is measured, in the case of direct exposures, in terms of the net exposure (EAD x LGD, where PD=1) relating to a counterparty or to a group of counterparties;
- concentration limits in terms of "large exposures", as a whole, both for large Group exposures and for entity large exposures;
- sector and country-risk limits.

With regard to the monitoring of concentration risk, the Risk Comission and the Financial Matters Commission are regularly informed on the evolution of concentration limits and of large risks.

Hence, the quantification of concentration risk for credit exposures (direct and indirect) involves the identification of the specific cases of concentration and of "large exposures", as well as a comparison of the exposure values in question with the levels of own funds, expressed in terms of percentage weightings which are compared with the defined concentration limits.

Operational risk

Operational risk consists in the occurrence of losses as a result of failures and inadequacies of internal processes, people or systems or, as a result from external events. Regarding this type of risk, the Group has increasingly adopted principles and practices which ensure its efficient management, through the definition and documentation of these principles, as well as through the implementation of the corresponding control mechanisms, of which the following are examples:

- segregation of functions;

- lines of responsibility and corresponding authorizations;
- limits of tolerance and exposure to risk;
- codes of ethics and codes of conduct;
- KRI – key risk indicators;
- access controls, physical and logical;
- reconciliation activities;
- exception reports;
- contingency plans;
- insurance;
- Internal training on processes, products and systems.

Notwithstanding the responsibility of the whole organisation, operational risk management is based on an end-to-end structure of processes, defined for all the subsidiaries of the Group, thereby benefitting from a broader perception of the risks as a result of an integrated vision of the activities undertaken throughout the value chain of each process.

Responsibility for the management of processes was entrusted to process owners (supported by process managers*)*, appointed by the Board of Directors of each entity of the Group. In terms of operational risk management, these have have the mission of:

- characterising the operational losses captured within the context of their processes;
- performing a self-assessment of the risks;
- monitoring the key risk indicators;
- identifying and implementing the appropriate measures to mitigate exposures to risk, helping to reinforce the internal control environment.

The recognition of the strategy set out for the management of this type of risk led to the formal approval of the Bank of Portugal, in the first half of the year, of the Group's application to the standardised approach (TSA) for the calculation of capital requirements for operational risk, coming into effect from 31 March (inclusively). This approval was granted to the Group, on a consolidated basis, also covering, on an individual basis, Banco Comercial Português, S. A., Banco de Investimento Imobiliário, S.A. and ActivoBank (Portugal), S.A..

The progressive consolidation of the strategy set out for the management of this risk, in the whole perimeter of the Group's activity, proceeded in 2009 in line with the defined calendar, with the following main achievements:

- execution of the second self-assessment exercise for risk in the main operations of the Group – Portugal, Poland and Greece;
- identification of key risk indicators for a representative number of processes in Portugal, Poland and Greece;
- consolidation of the operational losses data capture process in the main subsidiaries of the Group;
- increase of the process owners' awareness of the importance of incorporating the information provided by risk management instruments in the identification of actions to mitigate the most significant exposures.

Risk self-assessment

The aim of the risk self-assessment is to promote the identification and mitigation or elimination of risks, actual or potential, within each process.

The classification of each risk is obtained through its positioning in a tolerance matrix, which combines the expected severity and frequency for the several risks affecting the processes under three different scenarios (inherent risk level, residual risk level and target risk level of risk), which allows:

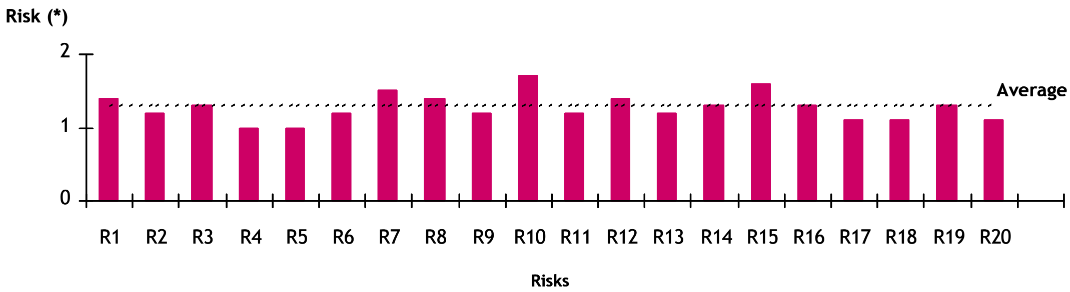
- to determine the influence of the control environment in reducing the level of exposure (inherent risk);
- to assess the exposure of the various processes to risks, considering the influence of existing controls (residual risk);
- to identify the impact of the improvement opportunities in reducing the most significant exposures (target risk).

In 2009, a second self-assessment exercise was concluded in Portugal and in Greece and was initiated in Poland. This allowed for an update of the results concerning the operational risk exposure for each process. The exercise was based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers) of the processes involved, or on questionnaires sent to the process owners for an update of previous results, according to defined updating criteria.

The most significant exposures will be mitigated through corrective measures identified in the exercise, to be prioritised according to the risk self-assessment performed. Its implementation will be monitored through the IT application that supports the operational risk management.

The results of the exercise carried out in 2009, for Portugal, are summarised in the following graph:

Residual Exposure by risk category (Portugal)



R1 Internal fraud and theft
R2 Execution of unauthorised transactions
R3 Employee relations
R4 Breach of work health & safety regulations
R5 Discrimination over employees
R6 Loss of key staff
R7 Hardware and Software problems
R8 Problems related to telecom services & lines
R9 Systems security
R10 Transaction, capture, execution & maintenance
R11 Monitoring and reporting errors
R12 Customer related errors
R13 Product flaws errors
R14 External fraud and theft
R15 Property and disasters risks
R16 Regulatory and tax risks
R17 Inappropriate market and business practices
R18 Outsourcing related problems
R19 Other third parties' related problems
R20 Project risks

(*) Scale from 0 (lowest) to 5 (highest)

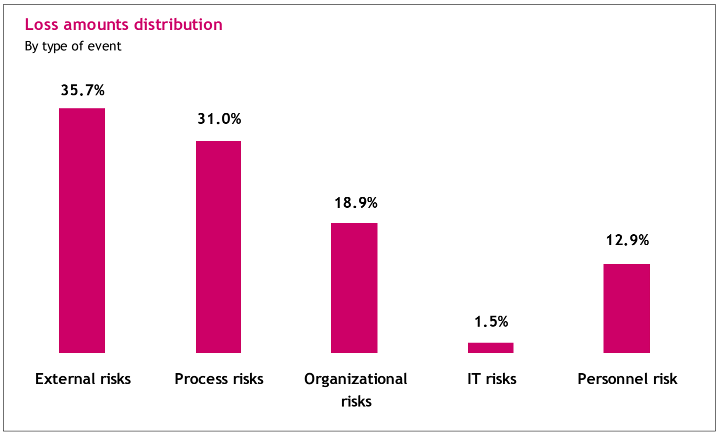
Operational Losses

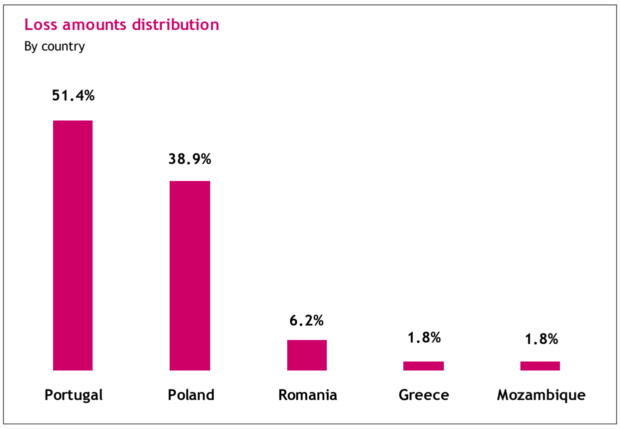
The main objective of gathering data concerning operational loss events is to reinforce the awareness of this type of risk, as well as to provide relevant information to the process owners, to be incorporated in the management of the processes. Furthermore, the losses database is also an important instrument for quantifying exposure to risk and, in the future, to support the calculation of the need for economic and regulatory capital. It should also be mentioned that operational losses data are used for back-testing the results of the self-assessment, enabling the gauging of the classification attributed to risks.

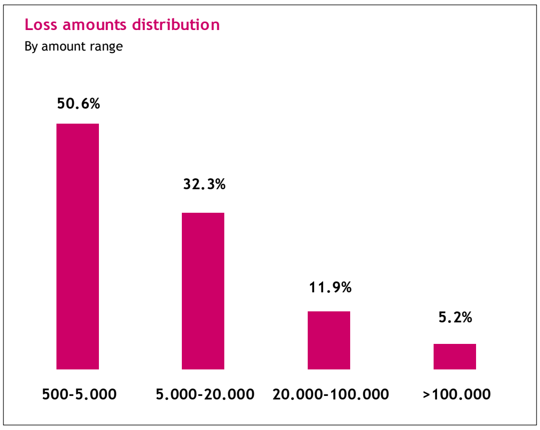
The identification and capture of operational losses data is a responsibility of all the employees of the Group, the process owners playing a major role in promoting this activity within their own processes. The process of identification and capture of operational losses data is also bolstered by the Risk Office, by promoting the capture of loss events data through the analysis of information provided by central areas.

The operational losses identified are registered in the Group’s operational risk management IT application, related with each process and characterised by the respective process owners and process managers. Besides a description of the events cause-effect, the characterization of each operational loss includes its quantification and, when applicable, a description of the improvement action identified to mitigate the risk which originated the loss.

The following charts illustrate the distribution of loss events registered in 2009:







The loss data gathering process has become more consolidated in the main subsidiaries of the Group, the Risk Office ensures the consistency of the criteria being used and also promoting the circulation of of information on the mitigation of events throughout all the countries in which the Group operates.

Key Risk Indicators – KRI

Risk indicators are objective measurements, with pre-defined alert triggers which aim to draw attention to changes in the profile of operational risks or in the effectiveness of its controls, in order to allow for preventive action that might prevent situations of potential risk from materialising into effective losses.

During 2009, this management instrument was fully used in the Romanian subsidiary, the indicators implemented being regularly monitored and helping to anticipate the need to take corrective measures aimed at preventing potential risks in several processes.

Throughout 2009, the use of this management instrument was extended to the other core operations of the Group - Portugal, Poland and Greece -, where the monitoring of indicators identified for a number of relevant processes was started.

Business continuity plans

The definition and implementation of business continuity plans (Business Continuity Management), intended to ensure that the main business activities continue to operate in the event of a catastrophe or major contingency, was concluded for operations in Portugal, Poland and Romania.

These continuity plans are regularly tested and updated for their two complementary components: the Disaster Recovery Plan, for communications systems and IT infrastructures, and the Business Continuity Plan, for people, installations and equipment that are required for the minimum support of the chosen business processes.

The definition and implementation of continuity plans will cover the Group’s operations in Mozambique and Greece, consisting, in this latter case, in the harmonization of the existing solution with the policy and standards defined for the Group.

Economic capital for operational risks

The calculation of economic capital for this type of risk is based on the value of its regulatory capital, obtained by using the standardised method and considering that the amount so calculated corresponds to the maximum operational loss, with a confidence level of 99.90%. Thus, in order to obtain the amount of economic capital for operational risk, the value of regulatory capital is adjusted (scaled) for a confidence level of 99.94%, which corresponds to the level defined under the ICAAP.

In December 2009, the economic capital associated to operational risk corresponded to 8.7% of the Group’s total non-diversified economic capital, which represents a variation of –1.0% in this weight, over December 2008.

Market risks

The market risk concept reflects the potential loss that may be incurred into as a result of adverse changes to rates (interest and exchange rates), to the prices of equities, bonds, commodities or any other prices of items included in the Group's Trading or Banking books or in the Group’s Pensions Fund.

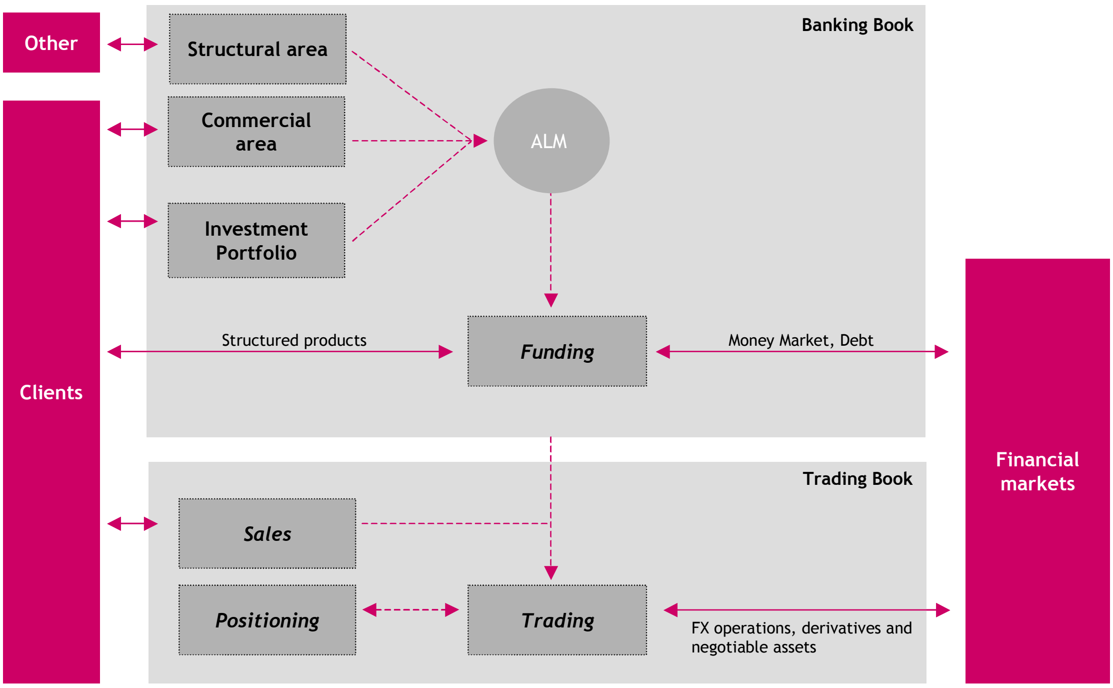
The Trading Book encompasses the positions held by the Bank to obtain short-term gains, through its sale or revaluation, which are actively managed and rigorously and frequently appraised. The Banking Book includes all other positions, namely, the money market positions, the investment portfolio and the positions resulting from the commercial and structural activity.

In terms of risk monitoring, the portfolios are aggregated by type of activity and by the type of monitoring required for each one. Hence, the Trading Book is associated with the Funding area to create the financial markets' activities (FMA).

Integrated risk management allows the transfer, on a monthly basis, of the risks of the commercial and structural areas, which are not included in the daily monitoring of market risks. The other areas of the Banking Book (ALM and Investment Portfolio) are monitored using the metrics applied to the financial market activities.

The monitoring of market risks in both portfolios is performed though a large number of activities that involve daily monitoring of the portfolios, backtesting, complementary validation of the models and assumptions used, control of operations characterised in the systems and the assignment of prudential limits underpinned by the Group's own funds and based on allocation rules per entity, management area and risk component.

Integrated risk management areas



Market risk assessment measures in the financial market areas

The Group uses an integrated market risk measure that allows for the single monitoring of all the relevant sub-types of risk considered. Currently, this measure covers the following types of risk: generic risk, specific risk, non-linear risk and commodities' risk. Each risk sub-type is measured individually using an appropriate risk model and the integrated measure is built from those specific measures without considering any type of diversification between the various types of risk (worst-case scenario).

For the assessment of the generic market risk (including interest rate, exchange rate and equities risks) a Value-at-Risk (VaR) methodology is employed. Calculation of the VaR is undertaken on the basis of the analytic approach defined in the methodology developed by Risk Metrics (1996). It is calculated considering a time horizon of 10 business days and a statistical confidence interval of 99%.

It should be pointed out that, in the first semester of 2009, the Group obtained authorization from the Bank of Portugal to use its internal VaR model for the calculation of capital requirements for generic market risk in relation to its business in Portugal. This approval affected prudential reporting as from 31 March, inclusively.

Non-linear risk is measured using an internal methodology, designed to replicate the effect that the main non-linear elements of the options portfolio could have on the P & L of the various portfolios in which these are included, in a similar way considered by the VaR methodology applied (using the same significance level and time horizon).

The specific and commodities' risks are measured using the standardised methodologies defined by the Basel II Accord, with a corresponding change of the time horizon considered.

The amounts of capital at risk are determined both on a individual basis – for each of the positions' portfolios of areas with responsibilities in risk taking and management – and also in consolidated terms, considering the effects of diversification between the various portfolios.

The calculation of this indicator is performed centrally for the main subsidiaries of the Group having an activity in the market areas, by means of software developed on the basis of a web technology that allows the financial markets' areas to access, online, to the values-at-risk of their portfolios.

In adittion to these market risks control, financial markets activities (FMA) are subject to a number of controls which aim to ensure the Group's objectives in terms of its global risk levels. Among these, one of the main ones is the existence of aggregate stop-loss limits for the results obtained in the FMA. The definition of these limits is based on the levels of risk authorised for each sub-portfolio (market risk limits) and, if these are reached, a reduction in exposure in this sub-portfolio is mandatory or a revision is performed, by a higher level of authorization, regarding the rationale of the positions in question.

Evolution of market risk indicators of the Trading Book

The market risk indicators presented in the following table (daily VaR values) show a low level of exposure to market risks of euro 5.5 million, on average terms, as a result of the conservative profile of the financial markets areas, as well as of the effects of diversification between the different portfolios.

Trading Book's market risks euro thousand

	Dec-09	Média	Máximo	Mínimo	Dec-08
Generic risk (VaR)	4,177.7	4,267.5	8,938.2	1,832.5	9,162.0
Interest rate risk	1,684.2	2,459.6	5,270.7	1,587.7	5,460.3
FX risk	3,551.4	3,191.9	7,023.1	1,616.0	7,131.8
Equity risk	353.2	366.9	469.3	374.9	500.4
Diversification effects	*1,411.1*	*1,750.9*	*3,824.9*	*1,746.1*	*3,930.5*
Specific risk	1,539.1	1,024.5	3,959.0	418.7	507.7
Non-linear risk	77.5	221.0	1,103.0	58.1	718.1
Commodities risk	1.7	4.8	16.4	0.1	2.9
Global risk	5,796.0	5,517.8	10,170.2	2,586.0	10,390.7

Notes:

- Holding term of 10 days and 99% of confidence level.
- Consolidated positions from Millennium bcp, Bank Millennium, Millennium 'bank Greece, Millennium bank Turkey and Banca Millennium (Romania).

The level of risk assumed by the positions of any of the sub-portfolios of the Trading Book, summarised in this table, shows an increase over the previous year, caused by the expressive increase in market volatility. In spite of the exceptionally high levels of volatility observed throughout the first semester of 2009, the risks assumed still fall within the maximum overall exposure limit established by the Group, in accordance with the selected tolerance levels.

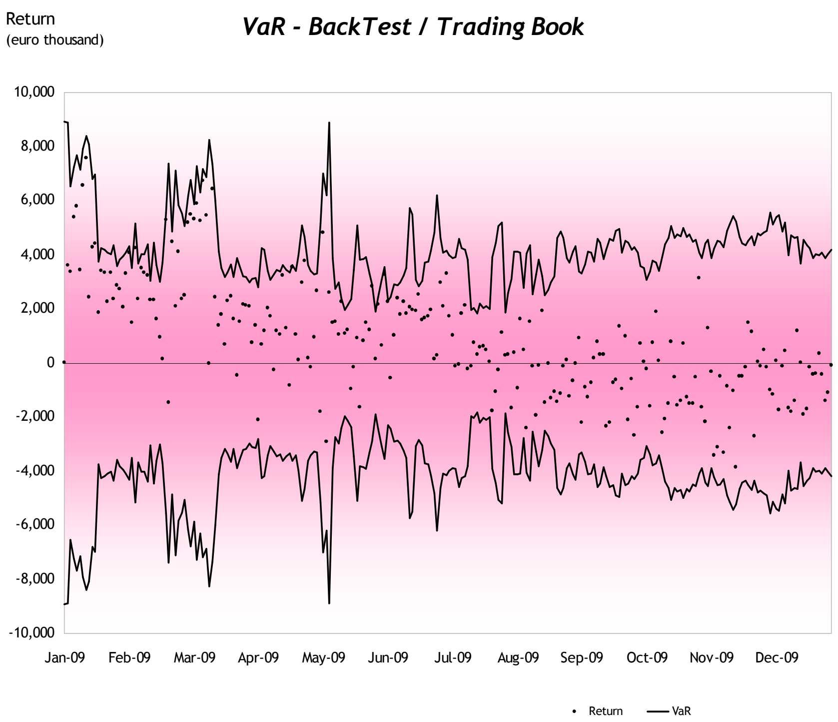
Monitoring and validation of the model

The current market risks management and control system reflects the ongoing review of the best practices, seeking to ensure its increasing effectiveness and alignment with the regulatory requirements to which the Group is subject.

In the assessment of the risks incurred – which is intended to be systematic and complete – various tests have been progressively developed and implemented.

To ensure that the internal model is adequate for the assessment of the risks involved in the positions assumed, several validations of different scope and frequency are performed, including backtesting over the effects of diversification and over the scope of the risk factors. It should also be noted that the VaR model used for the assessment of these types of risk has been validated by international auditors and was considered to be adequate for the purpose.

The following graph illustrates an hypothetical backtesting, confronting the VaR indicators with the hypothetical results of the model. The results of this test are in line with the adequacy hypothesis of the model, concerning its assessment of the risks incurred.



These theoretical results illustrate the adherence of the VaR model to the variations observed in the market and are frequently compared with the results obtained in the Trading Book. In the Group's main portfolios the results obtained for this test, in terms of the number of excesses, are the following:

Trading Book - Backtest of the VaR model

	2009	2008	2007	Total
Number of observations	250	249	144	643
Number of excesses	0	0	6	6
% of excesses	0.0%	0.0%	4.2%	0.9%

Note: the model used for this ex-post verification encompasses the excesses that occurred at both tail ends of the results' distribution, leading to an expected value of 5 excesses per exercise (2% x 250 annual observations), for the defined significance level. For the Trading Book, this verification began on the 1st of June 2007; hence, data for 2007 is referred for the period that started on that date and finished on the 31st of December 2007.

In 2009, the comparison between Var and returns (average and maximum) is presented in the following table:

Results in 2009 (Trading Book backtest) euro thousand

Average VaR	4,267.5
Average return	853.2
Maximum VaR	8,938.2
Maximum return	7,595.8

Sensitivity analysis of the interest rate risk in the Banking Book

The assessment of the interest rate risk originated by the Banking Book's operations is performed through a risk sensitivity analysis process, undertaken every month, covering all the operations included in the Group's consolidated balance sheet.

For this analysis, the financial characteristics of the contracts available in data systems are considered. Based on this, a projection of the expected cash-flows is made in accordance with repricing dates and with the possible pre-payments to occur, resulting in the impact over the economic value of the Bank stemming from different scenarios of changes in market interest rate curves.

The analysis referred to December 31st, 2009, shows that the sensitivity of the balance sheet to interest rate risk, measured by the difference between the present value of the interest rate mismatch, discounted at market interest rates, and the discounted value simulating a parallel shift of the market interest rate curve of +100 b.p., stands at 26.8 million euros and –3.4 million euros, for those currencies to which the Group has more significant exposures – euros and dollars respectively.

The following tables show the financial impact of this displacement, in each of the management areas and for several time horizons:

Impact of a +100 bps shift of the yield curves						euro thousand
Repricing gap for EUR	Repricing terms to maturity					
	< 1 Y	1 - 3 Y	3 - 5 Y	5 - 7 Y	> 7 Y	Total
Commercial area activity	-1,710.3	6,511.7	-8,898.6	2,242.3	-9,327.4	-11,182.4
Structural area activity	12,600.3	75,499.7	95,300.5	73,985.2	83,621.4	341,007.1
Subtotal	10,890.0	82,011.3	86,401.8	76,227.5	74,294.0	329,824.7
Hedging	-8,935.2	-83,670.4	-85,328.6	-75,507.8	-79,651.0	-333,093.0
Commercial and Structural total	1,954.8	-1,659.1	1,073.2	719.7	-5,357.0	-3,268.3
Funding and hedging	46,077.3	685.9	20.2	878.5	154.6	47,816.4
Investment portfolio	-4,623.9	-4,182.8	-3,661.0	1,968.2	-1,808.7	-12,308.3
ALM	-2,682.3	6,919.8	-186.2	7,185.1	-16,660.5	-5,424.1
Banking Book total (Dec 2009)	40,725.8	1,763.8	-2,753.8	10,751.4	-23,671.6	26,815.7
Banking Book total (Dec 2008)	23,547.7	-13,184.9	-12,047.7	51,055.4	-7,635.4	41,735.2

Impact of a +100 bps shift of the yield curves						euro thousand
Repricing gap for USD	Repricing terms to maturity					
	< 1 Y	1 - 3 Y	3 - 5 Y	5 - 7 Y	> 7 Y	Total
Commercial area activity	-480.7	-2,258.6	-1,037.9	751.9	3,092.9	67.7
Structural area activity	-1,046.1	0.0	0.0	0.0	0.0	-1,046.1
Subtotal	-1,526.8	-2,258.6	-1,037.9	751.9	3,092.9	-978.4
Hedging	-2,740.1	131.3	230.3	-53.6	127.4	-2,304.6
Commercial and Structural total	-4,266.9	-2,127.2	-807.5	698.3	3,220.3	-3,283.0
Funding and hedging	1,772.5	0.2	0.0	0.0	0.0	1,772.7
Investment portfolio	-222.1	-500.8	-266.7	-393.2	-490.5	-1,873.3
ALM	-26.3	141.7	-18.6	-63.7	-10.2	22.9
Banking Book total (Dec 2009)	-2,742.8	-2,486.1	-1,092.9	241.4	2,719.6	-3,360.7
Banking Book total (Dec 2008)	-4,910.2	-4,630.0	1,172.4	1,442.7	1,941.7	-4,983.3

The Group regularly performs hedging operations with the market, aimed at reducing the interest rate mismatch of risk positions associated to the portfolio of operations of the commercial and structural areas.

The risk positions that are not subject to specific market hedging are transferred, through internal operations, to market areas, forming an integral part of the respective portfolios. As such, these are valued daily through a VaR methodology.

Economic capital for market risks

Under the ICAAP, market risks are also evaluated through the VaR methodology, considering the sacle adjustments that are appropriate for each of the portfolios.

A time horizon of 90 days is considered for the Trading Book, while a time horizon of one year is considered for the Banking Book, either in the case of interest rate risk or in the case of the financial holdings risk.

In the case of the financial holdings (investment portfolio), the volatility of returns is obtained from historical series of stock prices of those companies, when listed, or from indexes built for this purpose, when not listed.

On 31st of December 2009, the economic capital associated to market risks corresponded to 26.2% of the total before the effects of diversification.

Liquidity risk

Liquidity risk reflects the possibility of significant losses being incurred as a result of deterioration of funding conditions (funding risk) and/or of the sale of assets for less than their market value (market liquidity risk), in order to cover for the needs of funds stemming from obligations to which the Group is subject.

The management of the Group's liquidity position is centrally undertaken for the main exposure currencies. Therefore, both the funding needs and any surplus liquidity of the subsidiaries are mostly dealt with through operations done with Millennium bcp.

The management of liquidity is coordinated, on a consolidated basis, by the Group Treasurer, who is also responsible for the coordination of the different liquidity management units of each entity.

The Group Treasurer also coordinates the various entities of the Group concerning the continuous effort to access the market, through relationships with the financing entities, the diversification of liabilities and the sale of assets, also ensuring the compliance and adequacy of the two main liquidity management tools of a structural level: the Liquidity Plan and the Liquidity and Capital Contingency Plan.

The Group's *CALCO* activity should also be mentioned, the main functions of which are to establish the principles of Assets and Liabilities management, both on a consolidated basis and in terms of the Balance Sheet of each entity of the Group. This body monitors the evolution of the liquidity situation on a monthly basis, against what was planned in the budget, with particular emphasis on the commercial gap, as well as on the execution of the liquidity plan with regard to the Group's funding types.

Liquidity risk evolution in 2009

Following the situation experienced at the end of 2008, the evolution of the financial markets in 2009 continued to require a very careful management of liquidity.

At the start of the year, funding markets were virtually closed, with the Central Banks essentially the only financing entities operating. During the second quarter of 2009, a gradual improvement was observed in the access conditions to these markets, which lasted until the end of the quarter, even with a return from demand for medium term financing operations, although with significantly higher spreads than those from the pre-crisis situation.

In the second half of the year there was a progressive improvement of the conditions experienced during the start of that period. This was more evident in terms of the risk premiums required by the market to make medium term liquidity available, while in the short term markets interbank money market (IMM) the intervention of the Central Banks conditioned its operation in what concerns the prices required, which was naturally reflected over the IMM rates.

In spite of these improvements, the availability of liquidity, especially in the medium and long term, continued to be restricted, conditioning the access to the funding markets.

Within this context, the Group was able to identify, along the year, some moments when the term liquidity markets were available, managing to carry out a number of term financing operations in the wholesale market in 2009, , of an amount greater than that of the financing operations that reached its term during this period.

One of the main ones was the issue of euro 1.5 billion guaranteed by the Portuguese State, for a period of three years. Two issues of Euro Medium Term Notes (EMTN) were also made – both for euro 1 billion - with maturities of 5 and 2 years, in the first semester.

In the second semester an additional series of issues was made in this market, which bolstered the Group's liquidity situation, namely, three issues of EMTN for a total amount of euro 1.1 billion (for terms between 1 and 3 years) and the issue of a new mortgage bond of euro 1 billion for a period of 7 years.

On the other hand, besides these issues, Banco Comercial Português also made an issue of euro 1 billion of perpetual subordinated securities with conditioned interest – called "Millennium bcp Value Capital 2009" -, which also had a positive effect in terms of the Group's liquidity situation.

Through these operations it was, therefore, possible to significantly reduce the Group's dependence on short term funding in money markets in 2009.

In terms of wholesale funding, the breakdown of the Group's liquidity position as at 31st December 2009 is given by the following table:

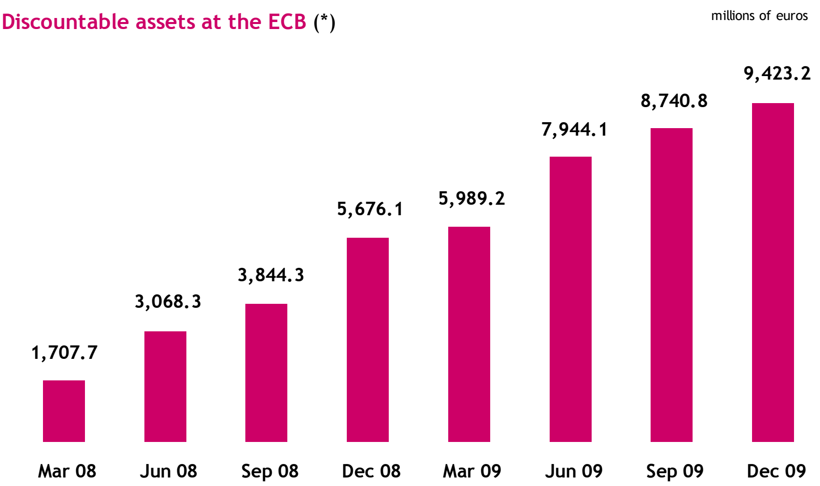
Liquidity breakdown

(*Wholesale funding*)

	Dec 2009	Dec 2008	Var.%09/08
MM	15.1%	12.4%	2.7%
ECB	9.8%	9.8%	0.0%
SFI Deposits	2.1%	3.7%	-1.6%
Commercial Paper	8.1%	11.7%	-3.6%
Repos	1.2%	0.1%	1.1%
Loan agreements	3.8%	6.3%	-2.5%
Schuldschein	2.0%	2.2%	-0.2%
EMTN	36.7%	33.9%	2.8%
Covered bonds	15.1%	11.7%	3.4%
Subordinated debt	6.0%	8.2%	-2.1%
TOTAL	100.0%	100.0%	-

Another fundamental vector of the Group's activity in 2009 concerning liquidity risk management was the continuous increase of its balance-sheet holdings in discountable assets at the European Central Bank , as an element of protection against a possible worsening in the financing markets' conditions. At the end of 2009, the volume of these assets reached euro 9.4 billion. The growth of these holdings since the first quarter of 2008 is shown in the following chart:

Discountable assets at the ECB (*)



(*) Before haircuts

Liquidity evaluation measures

The Group's liquidity risk is assessed through regulatory indicators defined by the supervisory authorities, as well as through other internal metrics for which exposure limits are defined.

The evolution of the Group's liquidity situation for short term time horizons (up to 3 months) is controlled daily, based on two indicators defined internally - immediate liquidity and quarterly liquidity - which measure the maximum needs for fund take-up which can occur on one given day, considering cash flow projections for periods of, respectively, 3 days and 3 months. The following table illustrates the short-term liquidity gap for the main Group operations as at 31st of December 2009.

Short-term liquidity gap euro million

	Immediate liquidity	Quarterly liquidity
Portugal	0.0	1,354.1
Poland	0.0	0.0
Greece	0.0	0.0
Romania	0.0	0.0
Turkey	10.0	10.9

Note: 0,0 represents a positive treasury position (net from Highly Liquid Assets)

In parallel, the evolution of the Group's liquidity position is calculated regularly, with an identification of all factors that justify the variations occurred. Liquidity stress tests are also carried out for specific and market crisis scenarios, in order to obtain a better characterisation of the Bank's liquidity risk profile, ensuring that the Group and each of its subsidiaries is in a position to meet its obligations in case of a crisis situation. The results of these tests contribute for the preparation and assessment of the Liquidity and Capital Contingency Plan and for current management decisions.

Liquidity plan

The Liquidity Plan defines the desired funding structure for the Bank. This is drawn-up on a consolidated basis and also for the main subsidiaries and is part of the budgeting process. It is very important for the Group and it is regularly monitored.

The priorities, responsibilities and specific measures to be taken upon the occurrence of a liquidity crisis are defined in the Liquidity and Capital Contingency Plan, which is revised at least once a year. This plan defines, as an objective, the maintenance of a balanced liquidity and capital structure, also establishing the need for the continuous monitoring of market conditions, as well as lines of action and triggers aimed at decision-taking (and its anticipation) in adverse scenarios.

Economic capital relating to the liquidity risk

Within the ICAAP, the economic capital for liquidity risk represents the increase of costs associated with adverse market conditions that could lead to a conjunction of situations (a sharp increase of funding requirements, together with an increase of the market's financing spreads and a downgrading of the Bank's rating) based on scenarios to which, taken together, a probability compatible with the level of confidence of the model is assigned.

On 31st of December 2009, the liquidity risk economic capital corresponded to 5.0% of the total capital before the effects of diversification.

Pensions Fund risk

The risk inherent to the defined-benefit Pensions Fund stems from the potential devaluation of the fund's assets or from the decrease of expected returns.

In fact, given a scenario of this nature, the Group would be in the contingency of making unforeseen contributions in order to maintain the benefits defined by the fund. The incorporation of this type of risk in the ICAAP and the calculation of its related economic capital are based on the probability of this type of adverse scenarios occurring in the future.

The Pensions Fund Monitoring Commission assumes the responsibility of the regular monitoring of this risk and also supervises its management.

On 31st of December 2009, the Pensions Fund risk economic capital represented 19.0% of the total non-diversified economic capital. On the same date the Pensions Fund presented a level of coverage of 109% of its responsibilities.

Business and strategic risk

Business and strategic risk is defined as the impact on results and capital resulting from (i) adverse decisions, (ii) the inadequate implementation of management strategies or (iii) the inability to respond to changes and variations of the market.

The variation in the listed price of the BCP share is a relevant indicator as a basis for measuring this type of risk, with its quantification being made by the internal model used to assess the needs for own funds and its allocation to the different business areas (ICAAP).

Under this perspective, the calculation of the economic capital associated to this type of risks is based on the price evolution and levels of BCP stock, after deduction of the external influence of the stock market, estimated from a chronological series of share prices from the larger banks listed at Euronext Lisbon.

On 31st of December 2009, the economic capital associated to this risk corresponded to 5.7% of total economic capital before diversification.

Information on the exposure to activities and products that were affected by the recent financial crisis

The Group does not have any exposure to the US subprime/Alt-A mortgage market, through Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Asset-Backed Securities (ABS) or Collateralized Debt Obligations (CDO). The Group also does not have any exposure to monoline insurance companies.

The Group's exposure to the structured credit products potentially affected by the financial markets turmoil was limited to the exposure of its subsidiary company Millennium bcpbank in United States, through which the Group owns, as at 31 December 2009, euro 17.8 million of Residential Mortgage-Backed Securities (RMBS) and euro 17.3 million of bonds with senior AAA debt, both issued and guaranteed by Government Sponsored Entities (GSEs), and euro 7.1 million of Commercial Mortgage-Backed Securities (CMBS) SBA Pools issued and guaranteed by the Small Business Administration, a Government Agency, which are backed by the full faith and credit of the United States Government.

The Group carries out operations with derivatives fundamentally to hedge structured products for customers (guaranteed-capital and other products), to hedge risks stemming from the Bank's day-to-day business, essentially including hedging the interest-rate risk and the exchange-rate risk. The trading activity of the Group's own portfolio in derivatives is immaterial insofar as Group profits or risk exposure are concerned.

Over the years, the Group has carried out securitisation operations based on loans to individuals – mortgage loans and consumer credit – and also of loans to companies. Credit securitisation is used as a liquidity and capital management tool, with the aim of financing the Group's business and, under certain circumstances, to free up capital. The Group has no exposure to Special Purpose Entities (SPE) other than that resulting from the securitisation of normal credit business, as described in Notes 1 and 21 of the Notes to the Consolidated Financial Statements. Furthermore, the accounting policies in respect of SPE and securitisations have not been altered over the past 12 months.

The Group’s accounting policies are described in Note 1 from the Notes to the Consolidated Financial Statements, in Volume II of the 2009 Annual Report. Additional information about the valuation of financial assets may also be found in Notes 22, 23, 24, 40, 49 and 53 under the same section and volume of the referred Annual Report.

Risk Factors

In this section the main risks to which the Bank's activity will be subject in 2010 are listed. These risk factors could mean that the future results of the Group diverge materially from the expected results. However, other risk factors could also adversely affect the results of the Group. So, the risk factors presented here should not be looked on as an exhaustive and complete declaration of all the potential risks and uncertainties which could condition the Bank's activity in 2010. The main risks in 2010 are split into two groups:

Exogenous

- Volatility caused by the Bank's credit risk;
- Adverse behaviour of the capital markets;
- Scarcity of liquidity in the markets;
- Adverse sectorial evolution in the real estate area;
- Changes in the regulatory framework of the banking activity;
- Adverse trajectory of market interest rates;
- Deterioration in the macro-economic context in Portugal and in other countries, in particular in Poland and Greece;
- Intensification of the competitive sectorial environment;
- Changes to legislation and tax regulations in Portugal and in the European Union;
- Risk of a pandemic associated to the dissemination of Swine Flu

Endogenous

- The level of cover of Pension Fund liabilities could turn out to be insufficient;
- Concentration of credit;
- Difficulties in international business;
- Downgrade of rating notations;
- Contingencies/governance.

Exogenous risks

Volatility caused by the Bank's credit risk

In 2009, the intensity of the worsening of the international financial crisis and its spread to economic activity led to very accentuated adjustments in the interest rates market and a quite considerable increase in the spreads of private debt instruments, which particularly affected the financial sector due to the growing difficulties of financial institutions and of the systemic risk. The cost of protection against the default of private debt instruments and in particular of the banks remained at quite high levels throughout 2009. The measures supporting the financial sector by the governmental authorities and the granting of unconditional liquidity by the European Central Bank led, as from the end of the 3rd quarter of 2009, to a slight reduction in the credit spreads of the financial sector to levels close to the levels at the start of 2008. The increase in the Bank's credit spread will be reflected in the increase in the costs of financing and will reduce the growth capacity of assets, but it will also reduce the financial margin and lead to gains in the fair value of the liabilities at fair value. A reduction in the Bank's credit spread will produce the inverse effect.

Adverse behaviour of the capital markets

Uncertainty with regard to the duration of the current international financial crisis could continue to penalise the evolution of the markets and maintain or worsen the already high aversion to risk, reflecting on the existence of a market risk related with the evolution of share and bond prices, penalising the evolution of commissions on stock exchange and asset management operations, the results of financial operations and other revenue and also the value of investments and securities portfolios, leading to a deterioration in the value of financial collateral, of the risk premium associated to operations in different markets and the profitability of pension funds, and could negatively affect results and solvency ratios.

Scarcity of liquidity in the markets

2009 was hit by the transmission to the real economy of the effects of the international financial crisis, with the main economies going into recession, which led to the implementation of measures of governmental support for the economy and for the financial sector and the unusual operation of the Central Banks in the markets, contributing towards the reduction in interest rates to virtually zero levels and to a situation of abundant liquidity. However, the financial markets did not operate properly, clinging onto concerns over the credit risk, in spite of seeing an expressive correction of the financial markets in the 2^{nd} semester, with risk premiums returning to levels before the collapse of Lehman Brothers. The market, contrasting with the rating agencies, made a greater sectorial and rating class differentiation of the credit risk. The support measures for the financial system, such as the establishment of a guarantee of the State for the purposes of the issue of banking debt and the recapitalization plan of credit institutions, contributed decisively towards mitigating the negative effects arising from the instability in the financing markets, but the trend towards the reduction in maturities and the still high cost of financing conditioned the performance of the banking activity. The persistence and/or worsening of the scarcity of liquidity in the markets, in spite of the improvement in the last months of 2009, could lead to an increase in the cost of financing and to smaller financing capacity and/or capacity to refinance debt for most banks, in particular for Portuguese banks which are quite dependent on institutional financing, and contributed towards worsening the challenges associated to the structural management of liquidity. In 2010, it is probable that the Central Banks' support measures for the financial sector will be gradually withdrawn, which, along with expected changes in terms of regulations, namely in the requirements of assets eligible for any refinancing with the European Central Bank, constitutes a factor of additional uncertainty with regard to the capacity of the financial system and of the markets to operate normally. The high base of deposits, a base of loyal customers, the conservative management of liquidity and the eventual use of the guarantee of the State by the Millennium bcp should help to mitigate the impacts described above.

Adverse sectorial evolution in the real estate area

The incentives and support measures for economic activity and financial systems implemented recently, helped to bring relative stability to the real estate sector and property prices in the main economies. However, the underlying demand remains depressed, dependent on the change in families' preferences, budgetary limitations and the reduced propensity for corporate investment. We may see a slowdown in the new production of mortgages and in real estate promotion. The Portuguese market did not experience a speculation bubble in the real estate market as opposed to other countries, such as Spain, and the real estate market is in a different stage of the cycle. However, given the contraction in GDP, the pressure on the disposable income of families, oversupply, gradual dissipation of the effect of governmental incentive policies and eventual worsening of funding conditions, whether due to monetary policy or the regulatory framework, a recovery in real estate prices is not expected, and there may be a devaluation in collateral and capital losses in buildings received by way of credit default. On the other hand, a possible rise in the reference interest rates of the European Central Bank would certainly reflect both on a worsening of funding conditions and on an increase in debt servicing, which could help to increase non-performing loans and credit impairment.

Changes in the regulatory framework of the banking activity

The regulatory framework of the banking activity could undergo significant reformulation in the following years. As a whole, the proposals for changes represent an increase in regulation, penalising the assumption of risk and increasing the cost of funds, at the same time as being rather complex in their respective implementation. Furthermore, measures are being considered which would tend towards the simplification of the liquidation procedures of financial institutions in difficulty, which could imply less operative efficiency. The changes in the regulations should impact on four main areas: solvency, liquidity, risk management and economic incentives. In terms of solvency the intention is to reinforce the levels and quality of capital, including proposals which would lead to more robust capital ratios, the redefinition of capital instruments, provisioning according to the stage of the credit cycle or selected risks and limits on the degree of financial leverage, with a direct impact on the cost of funds and on the scope of operation. The unexpected liquidity difficulties with the financial crisis led to the imposition of a more conservative management of liquidity, namely through the requirement to set up highly liquid asset portfolios and a more careful choice of investments, namely in favour of a greater standardisation of financial products, which could constitute an active restriction on the Bank's investment policy, with potential consequences on its levels of activity and on the generation of revenue. The review of risk management procedures in their diverse aspects - financial, credit and operational – will make compliance harder in the following years, will encourage a more conservative posture in the assumption of risk and could restrict activity. The revision of economic incentives, including amongst others factors, remuneration policies, could interfere in the capacity to attract and retain talent, and therefore, in the quality of management.

Adverse trajectory of market interest rates

The Bank is exposed to the interest rate risk. Interest rates are highly sensitive to many factors which the Bank does not control, including monetary policies and domestic and international political events. As for any bank, changes in market interest rates can affect the interest received from the assets which generate interest in a different way to those which affect the interest paid by remunerated liabilities. This difference could reduce the Bank's financial margin. Besides this, an increase in the interest rate could reduce demand for credit and the Bank's capacity to grant credit to customers, as well as contributing towards an increase in the rate of non-performing loans by the customers of the Bank. However, it could also simultaneously have a positive impact, helping to reduce the commercial gap. Inversely, the maintenance of interest rates at minimum levels or a possible reduction in the level of interest rates could have a negative effect on the Bank through the generation of a lower financial margin on demand deposits and an increase in competition in deposits and customer loans. As a result of these factors, significant changes or the increase in volatility in interest rates could have a substantial adverse impact on the Bank's activity, financial situation or results.

Deterioration in the macro-economic context in Portugal and in other countries, in particular in Poland and Greece

In 2009, the Portuguese economy contracted by 2.7% of GDP. In Greece the contraction of GDP was lower, around 2.0% of GDP, Poland was the only country in the European Union to escape the recession, although it experienced a pronounced slowdown in growth. The scenarios of growth in GDP in Portugal and in Poland have been revised upwards, but major risk factors prevail relating to the dynamism and sustainment of the process of economic recovery. Amongst these the erosion in the condition of public finances stands out, reinforced by adverse demographic trends and structural problems of competitiveness, in particular with regard to the Greek economy but also to the Portuguese economy. The inevitability of the return to equilibrium of the financial condition of sovereign states and the close scrutiny of investors with the mounting public debt could lead to the need for the adoption of restrictive fiscal policies conditioning the vigour of economic activity and the profitability of financial institutions, due to a reduction in turnover and a reduction in the associated level of revenue. An accentuated reduction in the levels of activity strengthens the pressure of competition in the global economy accentuating problems of competitiveness. The process of adjustment could require salary moderation or, in extreme situations, a profound internal restructuring, with discontinuity of the productive cycle and of the labour market which could possibly upset the social environment, with parallel effects on the banking activity, namely through the increase in loss events and the associated impairment. The return of the sense of risk aversion and a deterioration in the climate of confidence could induce a return to a context of volatility in the financial markets, worsened by a feeling of drained institutional capacity for additional support to the business. In this regard, the economic context could get significantly worse, being particularly penalising for financial systems with greater exposure, active or passive, to the international financial markets.

Intensification of the competitive sectorial environment

Since 1996 we have witnessed a significant expansion of the personal financial services in the Portuguese banking market, resulting in the sustained development of the mortgage market, consumer credit, investment funds, unit linked products and in the increase in the use of credit cards. The Portuguese banking market is currently a fairly developed market which contains major national and foreign competitors which follow multi-product, multi-channel and multi-segment approaches, and which have significantly improved their commercial capabilities. Over recent years there has also been a significant development of banking operations through the Internet and the use of new techniques, which allow banks to more precisely assess the needs of their customers and to act accordingly, adjusting their value proposal. Foreign banks have also entered the Portuguese market, especially in areas such as corporate banking, asset management, private banking and investment banking services. These factors have led to an increase in competition. Furthermore, many Portuguese banks are dedicated to increasing their revenue through an increase in the respective market shares and cross-selling, as well as core operations, which tend to sustain more aggressive commercial strategies. An intensification of the trend of integration of financial services on a European level is also expected, which could contribute towards an increase in competition, essentially in the areas of asset management, investment banking, online brokerage services and a growing offer of remote financial services. The highly competitive level of the sector in Portugal and in other countries where the Bank operates, or the worsening thereof, means the existence of business and strategic risk, which could lead to the eventual loss of market share in some products and/or business segments and which might hamper the adjustment of spreads for the credit risk, lead towards a reduction in the rate of financial margin, of commissions and other revenue and penalise the evolution of revenue, results and the asset situation.

Changes to legislation and tax regulations in Portugal and in the European Union

The various measures to stimulate the economy and to support the system banking, approved by the Portuguese Government, were reflected in an accentuated increase in the public deficit, which exceeded 9.3% of GDP in 2009. In spite of the agreement with the European Commission to reduce the budgetary deficit to values below the limit imposed by the Stability and Growth Pact - 3% of GDP - by 2013, the Portuguese economy, in recent years, has diverged in its behaviour in terms of the average for the Euro Zone as a result of its problems of poor productivity and competitiveness, which has led to the need to implement strong measures and to obtain consensus, in view of the Government's minority in Parliament. The combination of the need to re-balance the public finances with the increase in the transparency of accounts reporting could be reflected in an increase in the fiscal burden, through an increase in taxation and/or a reduction in fiscal benefits in the diverse areas of taxation, and in a reduction in gains arising from tax planning, with a direct impact on results and on the volume of the business.

Risk of a pandemic associated to the dissemination of Swine Flu

In spite of the uncertainty over the degree of dissemination of Swine Flu in the countries in which the Group has operations, and in particular in Portugal, and the fact that the intensification of a pandemic scenario is difficult to forecast, it is capable of causing a major disruption to the daily evolution of the business by increasing absenteeism amongst employees and the degree of uncertainty, conditioning the confidence of economic agents. The Bank's Business Continuity Plan contemplates a pandemic contingency plan, as mentioned above, activated by the Crisis Management Office. The worsening of the Swine Flu pandemic scenario, which during 2009 had little negative impact, could have consequences both on turnover and on the quality of customer credit, affecting total revenue, the quality of the credit portfolio and, consequently, upsetting the financial condition of the Bank.

Endogenous Risks

Pension Fund

The level of cover of Pension Fund liabilities could turn out to be insufficient if the behaviour of the markets leads to lower income from the assets of the Pension Fund compared to actuarial assumptions. The amount recorded in the consolidated accounts referring to liabilities for pensions is based on determined assumptions on mortality, and the longevity of the beneficiaries of the Pension Fund could be greater than foreseen and, as such, these could benefit from the fund beyond the amounts set aside for this purpose. In the last year the Bank altered the actuarial assumptions of the Pension Fund's liabilities, both in terms of the rate of salary growth, from 3.25% to 2.5%, and the rate of growth of pensions, from 2.25% to 1.65%. While we consider that the current actuarial assumptions are adequate for the current market context, it is not possible to guarantee that the actuarial assumptions will not be altered in the future and that they will not lead to actuarial losses, including the variation of the Pension Fund corridor. Under the convergence to the IFRS and according to the definitions in IFRS 1, the Group decided to reconstitute the actuarial calculations from the date it set up its Pension Fund, which led to an increase in liabilities for pensions. In this regard, all the actuarial gains and losses which exceed 10% of the value of the liabilities for pensions are to be amortised for the average remaining period of the employees' working lives (currently: 20 years) up to their retirement date. If the level of cover of the Pension Fund's liabilities turns out to be insufficient, the Bank could have to make additional contributions in the future, which could adversely affect its financial situation and results. Furthermore, the Bank has to deduct the part of actuarial losses which exceed 10% of the liabilities for pensions from its own base funds or from the value of the fund (depending on which is the higher), and so an eventual decrease in the value of the fund could have an adverse effect on the Bank's capital position. In September 2006, the EBD decided that the employees' retirement pension supplement would be financed with a defined contribution plan, with employees admitted up to the date of the decision keeping the rights which arise from the defined benefit plan in force until then. This measure will lead to a gradual reduction in the financial risk of the Pension Fund in future years. In December 2008, in view of the extraordinary circumstances which conditioned the activity of financial markets in 2008, the Bank of Portugal authorised the deferral of the actuarial losses, calculated in 2008, over the four subsequent years, with the exception of the income expected from the fund's assets relating to 2008. The Group could be adversely hit by regulatory changes to the rules relating to liabilities for pensions.

Concentration of credit

The Bank is exposed to the credit risk of its customers and counterparties and in particular to the risk resulting from the high concentration of individual exposures of its credit portfolio. On 31 December 2009 the twenty largest individual credit exposures represented around 13.72% of the credit portfolio, representing a high concentration of the credit portfolio, which together with the high credit exposure to the civil construction sector, helps to raise exposure to the credit risk. This is a problem which is common to most of the main Portuguese banks, given the small size of the Portuguese market, and has been, in fact, widely referred to by the rating agencies as a fundamental challenge facing the Portuguese banking system. The rating agencies have been particularly critical over the Millennium bcp's concentration of exposure in larger customers and, especially, of the exposure to shareholders, helping to make the Banco Comercial Português' rating notation sensitive to the evolution of these variables. Although the Bank carries out its business based on strict risk control policies, in particular of the credit risk, seeking to increase the degree of diversification of its credit portfolio, it is not possible to guarantee that the exposure to these groups is reduced significantly in the short and medium term.

Difficulties in international business

The Group has operations in international markets, which are exposed to risks arising from possibly adverse developments on a political, governmental and economic level in the countries where we are established. The Bank has operations in markets in the process of European integration, such as Poland and Romania, which previously had high rates of growth in GDP, but which currently, in view of the recession in their main commercial partners, are in an accentuated slowdown (Poland) or in deep economic recession (Romania). Angola and Mozambique have also not remained immune to the adverse economic context. The process of economic development is still in the early stages in these countries and is characterised by high dependence on a limited number of economic sectors, including commodities such as petrol in Angola and aluminium in Mozambique, increasing their vulnerability to shocks in these specific markets. Some of the Group's international operations are also directly and indirectly exposed to currency exchange risks which could adversely affect the Group's results. So, although the markets with exchange risk currently represent around 1% of the Group's net results, adverse behaviours of these currencies against the Euro could have a negative impact on the Group's activity, its financial situation and on its results. The use of funding in foreign currency in some countries of Eastern Europe expose some of the Bank's customers to the exchange risk, affecting the financial condition of these entities and, consequently, the results of the Bank. Although the Bank Millennium tightly restricted the new production of foreign currency loans in Poland at the end of 2008, the Bank still holds a considerable credit portfolio in foreign currency, which could have a considerable impact on the results through the making of additional payments for impairment in the credit portfolio and the high cost of zloty swaps. Results could also be hit if these countries' current expectations of joining the European single currency in the medium term are frustrated or in the event of episodes of reallocation of institutional investors' portfolios in favour of refuge assets as opposed to assets in emerging markets. The deterioration of the macro-economic environment in most of the Group's international operations is also reflected in an increase in loss history and the associated impairment. The Group can also come up against difficulties in implementing its strategy with regard to the expansion of its international operations due to general conditioning factors such as the worsening of market conditions, the adverse environment, the actions of the competition or specific conditioning factors associated to possible delays in the implementation of its strategic program. These difficulties could have a visible impact on the opening of new branches, getting new customers and business volumes.

Downgrade of rating notations

Although the rating agency, Moody's, downgraded the rating notations of the Banco Comercial Português on 16 September 2009 from "Aa3/P-1" to "A1/P-1" and of the Bank Financial Strength Rating (rating of financial solidity) from "C+" to "D+", and that the agency Fitch Ratings announced the downgrade of the individual rating notation of the Banco Comercial Português from "B" to "B/C" on 31 July 2009, and although the agency Standard & Poor's downgraded the Banco Comercial Português' long and short term rating notations from "A/A-1" to "A-/A-2" on 30 July 2009, there is no guarantee that the Bank will not suffer further downgrades during 2010, not only in rating notations as an issuer, but also in the rating notations of issues or specific instruments, if the levels of profitability, efficiency, capital and others fall below expectations. On the other hand, in November 2009 the rating agency Moody's published a note with a perspective on the credit conditions of the Portuguese banking system, in which, although it did not expect further downgrades in the rating of financial solidity of most Portuguese banks, it admitted that the ratings of deposits and debt of the various Portuguese banks could be downgraded if the rating of the Portuguese Republic, currently "Aa2", with the current negative outlook is reduced to "Aa3". The rating of the Portuguese Republic is a key element in determining its capacity to support the banking system. If there is a downgrade of the rating of the Republic to "Aa3", the indicator of support for the system (a measure of the capacity of the country to support its banking system), which is currently at "Aaa", could also be revisited, with negative implications both on the rating of deposits and on the rating of the banks' debt. Changes in the rating notations could affect the Bank's risk premium and the cost of funding in the international capital markets. The Bank's customers are also sensitive to the risk of a reduction in the rating of credit, which in this way could also increase the risk premium and the cost of funding. The Bank's capacity to successfully compete in the deposits market depends on various factors, including financial stability, the stability of the operating results and the credit ratings attributed by internationally recognised rating agencies. In this regard, a reduction in the credit rating could affect the Bank's capacity to obtain funding and could have an adverse effect on its activity, financial situation and results.

Contingencies / Governance

It is not possible to guarantee beforehand that the Group will be able to execute its vision and medium term strategy, brought together in its focus on Europe and on associated markets and in the transformation of its business models in Portugal, due to general conditioning factors, such as the worsening of market conditions, the adverse environment, the increase in competition or the actions taken by our main competitors, or specific conditioning factors associated to possible delays in the implementation of its strategic program or the efficacy and degree of implementation of the measures to resume growth and leadership in Retail banking and to capture greater value in the companies and corporate segments, to maintain the drive to reduce costs and to optimise the discipline of capital and liquidity management and the strengthening of risk management. The Bank could face difficulties in the implementation of critical management measures aimed at continuing with repricing, optimising the recovery of banking revenues and of profitability, mitigating exposure to diverse types of risk and increasing own funds, with a negative impact on projected levels of efficiency, compromising its defined objectives and solvency.

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Sustainability

Introduction

The challenging economic and social context experienced in recent years has accentuated the importance of the policies of social responsibility and of the topic of sustainability for corporate subsistence.

The integration of the concept of sustainability into corporate management has created the need to report the policies and practices implemented and the economic and social results achieved.

The Millennium bcp's sustainability policies have been published in a systematic and structured way since 2004, namely through the Social Responsibility and Sustainability reports presented together with the Annual Report & Accounts in a independent volume.

This year the Bank decided to incorporate this chapter in the Volume I of the Annual Report which complements the full version of the 2009 Sustainability Report available on the Millennium bcp's institutional site. This chapter reflects the importance of sustainable policies and practices, which are a fundamental part of the strategy of value creation for the Millennium Group and for all stakeholders.

This summary presents the work carried out to update the mapping of stakeholders and material issues which have led to the elaboration of a strategic sustainability plan – the Master Sustainability Plan 2010-2012 – which sets out to respond to the expectations and opportunities identified.

In each topic presented: (i) Corporate Responsibility; (ii) Supporting Customers; (iii) Valuing Employees; (iv) Sharing with the Community and (v) To a better environment, the main activities realised in 2009 related with sustainable development and social responsibility are highlighted and, at the end of each, the respective guidelines of the Master Sustainability Plan are presented.

The Millennium bcp therefore assumes the commitment of maximum transparency in dialogue with its stakeholders, striving to continually improve the information provided, in terms of both form and content.

Communicate with stakeholders

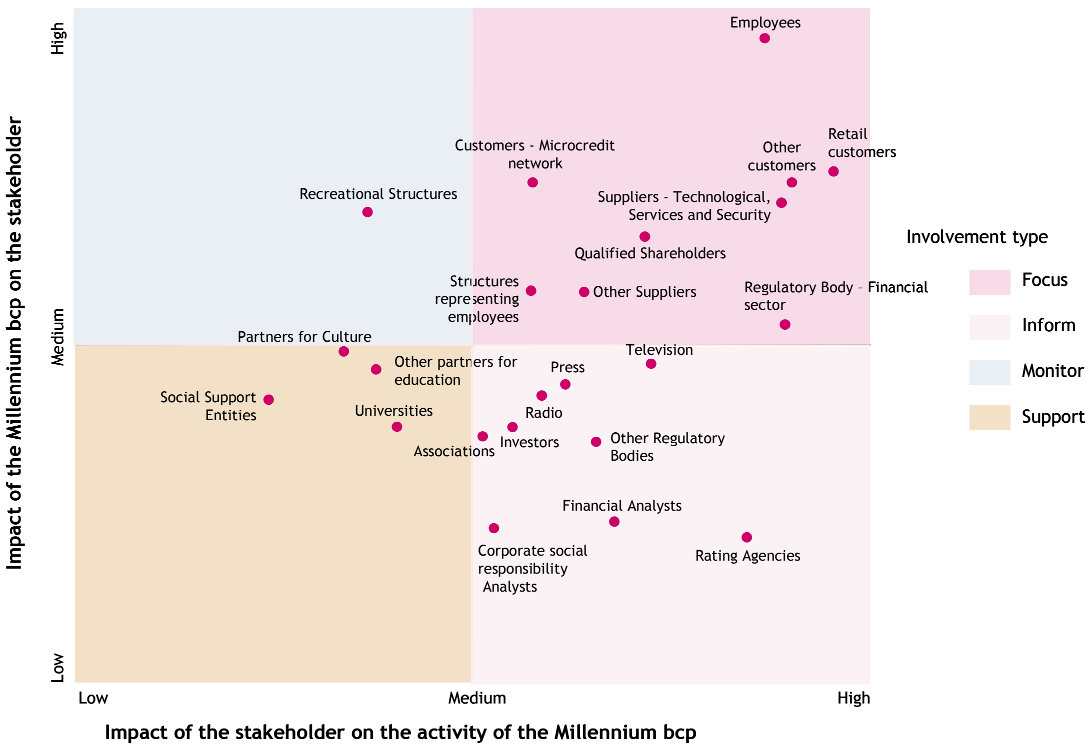
Stakeholders	Economic value generated (1)	Euro million
Shareholders	Dividends	79.8
Employees	External Training Expenses	2.6
	Staff costs	828.1
Customers	Loans to customers	73,480.5
	Interest paid on deposits	1,070.3
Suppliers	Other administrative expenses	530.0
Comunity	Taxes paid	45.9
	Donations	2.4

(1) Includes amounts from Portugal, Poland, Greece, Romania, Mozambique and USA

The Millennium bcp has, in different ways, always promoted dialogue with its stakeholders, which has enabled a proactive approach to the challenges they faces, leading to increased efficiency due to the early response this creates.

Mapping of stakeholders

The stakeholders, or interested parties, are formally identified by Millennium bcp, and the update of the mapping of the stakeholders subgroups, conducted in 2009 by consulting the internal representatitives of each stakeholders group and identification of the material topics for each of them, carried out in 2009, helped to enrich the knowledge obtained through the normal channels of communication, with a more in-depth reflection on the risks and opportunities of the



business undertaken.

Material Topics

The identification of the material topics came from of a global analysis of the Bank's positioning and activities undertaken related with sustainable development, which included:

- analysis of the current practices and activities of Millennium bcp and of other banks;
- interviews held in December 2008 with the members of the Stakeholders Committee and with four financial analysts;
- a written questionnaire and individual personal interviews, held in 2009, with members of the Bank's Senior Management who are in close contact with each of the groups of stakeholders in Portugal;
- analysis of the six reports – three national and three international – made by independent entities in 2009:

Prémio Desenvolvimento Sustentável 2009

ACGE

Accountability Rating Portugal 2009

VIGEO

Carbon Disclosure Project

Trucost

A summary of the material topics helped to give a broad understanding of the aspects which are currently most relevant for the Organization and for each group of stakeholders:

	Employees	Customers	Shareholders / Investors	Regulatory Entities	Analysts and other Financial Entities [1]	Suplliers	Comunity [2]
Reputation							
Regulations and legislation							
Transparency							
Communication							
Enhancement / Results							
Values, Ethics and Conduct							
Governance							
Confidence							
Efficiency							
Environmental Issues							
Labour Issues							
Safety							
Products and Services							
Human Rights							
Internal control systems							
Social support / Supportive partners							

Material Topics for stakholders group

[1] Includes: Financial Analysts, CSR Analysts, Rating Agencies and Peers

[2] Includes: Institutional Associations, the Community, the Media

Master Sustainability Plan 2010-2012

The Master Sustainability Plan 2010-2012, defined in 2009, materializes the strategy of action with regard to sustainable development for the next three years, lending continuity to the numerous activities already realised and representing the starting point for a new level of desirable achievements for the Bank in these matters. Although the dynamism of the market might lead to adaptations and adjustments to the plan, the definition of medium term activities intends to provide an overview of the Bank's activity and to prioritise this according to the balance between the stakeholders' expectations and the resources available.

The Master Sustainability Plan covers six main areas of action, supported by internal and external communication and has the following main objectives:

Millennium bcp's Master Sustainability Plan (2010-2012)

Economic Dimension			Social Dimension		Environmental Dimension
Governance of Sustainability	**Principles of Ethics and Conduct**	**Customers**	**Employees**	**Involvement with the community**	**Environmental Performance**
Reinforce alignment and Bank's monitoring of the Sustainability Strategy	Strengthen the Bank's culture and values Make the Codes of Ethics and Conduct intrinsic	Strengthen customer relations and satisfaction Position the Bank in market niches which are emerging	Reinforce motivation and the feeling of belonging to the Bank Continue to promote the development of skills	Reinforce the Bank's proximity to the community	Improve the positioning in environmental issues

Comunication

Improve awareness and monitoring sustainability strategy by the stakeholders

Millennium bcp, closer to its stakeholders

Standing out from the many moments of communication with interested parties, in this summary, are the Millennium Encounters, which continue to be a key opportunity for dialogue between the Bank and the local communities. These encounters, helped us to gather opinions and suggestions and to reinforce mutual trust.

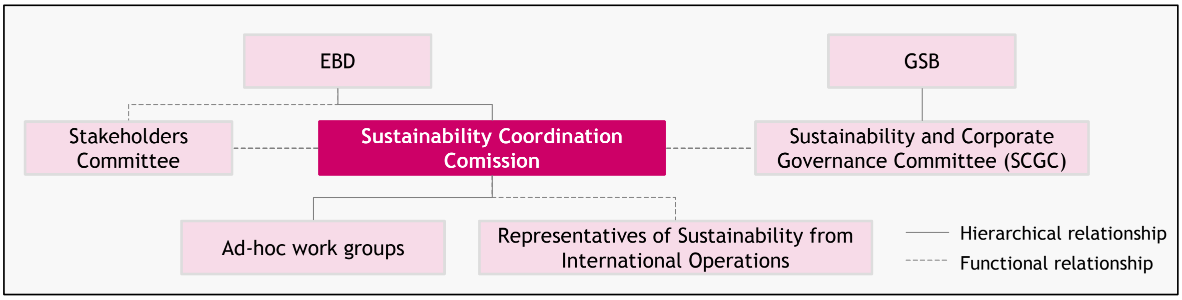
Each encounter includes visits of the EBD to branches in the region and a conference with the participation of Ph.D. Daniel Bessa, former minister of economy and current Director of COTEC Portugal, who provided a debate on the economic, financial and social context and helped to identify the challenges and the potentials of each region, resulting in more in-depth knowledge on the real needs of each of them.

In 2009, it were held nine Millennium Encounters, which brought together more than 2.000 employees, 4.500 costumers and business people and the EDB, reinforcing its importance to the Millennium bcp's commercial and institutional dynamism.

Corporate Responsibility

During 2009 Millennium bcp improved the integration of sustainable development within its business strategy and model of governance:

- in April, the General and Supervisory Board (GSB) extended the scope of action of the Corporate Governance Committee which took on competences related with sustainability, changing its name to the Sustainability and Corporate Governance Committee (SCGC). The SCGC is coordinated by the chairman of the GSB and its mission is to propose to the GSB the general policy on sustainability and Corporate Governance to be implemented by the EBD, supervising and ensuring that it is properly executed;
- in December, the constitution of a Sustainability Coordination Commission (SCC) was approved, composed by Administrator responsible for these matters and the division managers of Communication, Quality, Property and Logistics, Marketing and Support to Staff Management, a representative of the Millennium bcp Foundation and a representative of the Millennium bcp Club. This Commission's mission is to propose to the EBD the plan of action which will implement the sustainability policy, to monitor it and to report the degree to which this is achieved.



The Stakeholders Committee, formed in 2005, is the preferential channel for disseminating the internal information of the Group to the stakeholders' representatives. During 2009, this committee met three times, to debate diverse topics, namely: (i) the impact of the economic and financial situation in the markets; (ii) socially responsible products included or to be included in the Bank's offer and (iii) activities undertaken related with sustainability and the presentation of the Master Sustainability Plan for the period 2010-2012.

The Bank's Model of Governance, a full explanation of which can be found in Volume II of this report, together with the Internal Control System, which includes the activities of compliance, risk management and audit, the codes of conduct and the international principles subscribed by the Millennium bcp, ensure that the Bank acts in accordance with the internal principles and observance of the directives issued by the supervisory authorities namely by the Bank of Portugal and the Securities and Exchange Commission (CMVM) and the international recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), of the Basel Committee on Banking Supervision and of the Committee of European Banking Supervisors (CEBS).

Some of the main activities undertaken in 2009 related with the Internal Control System are:

- the preparation of the individual and consolidated reports on the Internal Control System of the diverse institutions of the Group presented to the Bank of Portugal and to the CMVM pursuant to the applicable regulations;
- production, for the first time, of the Market Discipline Report (Pillar III of the Basel II Capital Accord) and respective publication on the millenniumbcp.pt site, providing information on the Bank's financial situation and solvency, and also including information on risk management and capital processes and systems, pursuant to the requirements established in Notice no. 10/2007 of the Bank of Portugal;

- production and delivery to the Bank of Portugal, for the first time, of the Internal Capital Adequacy Assessment Process (ICAAP) under the requirements defined in Instruction no. 15/2007 of the Bank of Portugal (Pillar II of the Basel II Capital Accord);
- improvements and developments in the processes of identification, assessment and monitoring of risks, as well as the respective internal communication, namely, to the Financial Matters Committee and to the Risk Committee;
- improvement in the system of monitoring customers and transactions, complemented by actions of dissemination of the culture of compliance, allowing the employees of the Millennium bcp to possess the means necessary for the correct identification and knowledge of customers and of the effective beneficiaries of all the collective structures with a business relationship with the Bank (Know Your Customer);
- classification of all the customers of the Bank, within a risk based approach perspective, in terms of Money Laundering risk with different implicit procedures of transaction validation (increased Transaction Due Diligence) and the use of tighter standards of Customer Due Diligence / Know Your Customer for customers with a high Money Laundering risk;
- implementation of control mechanisms of advertising content and strengthened ties with the supervisory authorities namely with regard to so-called behavioural supervision;
- service training in the branches and through e-learning in matters of money laundering and financing of terrorism, internal control, market abuse and fraud, techniques for monitoring transactions and specific legal matters.

Millennium bcp's Master Sustainability Plan (2010-2012) guidelines

Dimension	Guidelines
Management, coordination and monitoring	Create monitoring methodology for the approved plan of action;
Values	Strengthen the employees' bond to the Bank's Values.
Code of Ethics and Conduct	Communicate the code of conduct in a more permanent and appealing way and according to the "dilemmas" identified; Encourage a culture of compliance and the close management of risk; Inform stakeholders of the various policies adopted by the Bank which impact on sustainable development.

Supporting Customers

The profound economic and financial changes of recent years have had a direct impact on the life of companies and families, which has placed even greater importance on the Bank being close to its customers, supporting and promoting entrepreneurship, advising and sharing knowledge on diverse subjects of interest to customers.

In line with the global financial offer adapted to each segment of customers, during 2009, products and services were provided which set out to respond to the current socio-economic situation.

Promoting social inclusion

In 2005, the year chosen by the United Nations as the "International Year of Microcredit", the Millennium bcp decided to create an Autonomous Microcredit Network, with the main objective of finding new solutions for social groups with greater difficulty in accessing credit. In this launch stage, the Bank already had six years of experience as the only bank performing microcredit operations in Portugal, under the protocol with the National Association of the Right to Credit (ANDC) which has been successively renewed.

In 2009, the main features were:

- an advertising campaign to publicise microcredit in order to encourage more people to apply, bearing in mind the high rate of unemployment;
- membership as a corporate partner of the European Microfinance Network (EMN), a non-profit organization that promotes the propagation of microcredit in the European Union;
- Millennium bcp's participation as guest speaker in diverse conferences, seminars and trade fairs, approaching the topic of microcredit and/or entrepreneurship from the perspective of social inclusion and the struggle against unemployment;
- the signing of partnership agreements with entities interested in publishing microcredit to their groups of members. One of the main ones was the agreement with the Red Cross units in Lisbon and Braga;
- increase in the unit amount of microcredit operations from 15,000 to 17,500 euros;
- reinforced proximity between project managers and the micro-entrepreneurs so as to avoid situations of default.

Millennium bim, in partnership with the Católica Way project approved the financing of 21 microcredit projects in the Island of Mozambique. None of the entrepreneurs who took out the credit were trained in banking and so the training of the entrepreneurs in basic management concepts, in the identification of operational improvements and support for the implementation of processes to optimise production or commercialization were key points in monitoring the evolution of each project.

Finding solutions for families

In the first semester of 2009, the Millennium bcp launched a Financial Advice Service for the customers of the Bank – the *SAF*. This service was made available with the aim of supporting customers in financial difficulties, studying and proposing a more appropriate solution to each family's budget so as to help them meet their responsibilities more easily. Through this service, 250 requests for information were received, of which more than 50% were pertinent. Grace periods for outstanding loans were considered for these customers, plus extended repayment periods, change to the products taken out and/or consolidation of diverse credits in a single mortgage with lower rates and longer repayment periods.

In order to adapt mortgage repayments to each family's budget, the Bank provided the option of changing the conditions contracted, namely through the extension of repayment periods, the introduction of grace periods to amortise capital and changes to the product taken out. The Millennium bcp also provided access to the government's line of credit – Mortgage Moratorium – created to help families in situations of unemployment.

Maintaining support for companies

As part of the system of incentives of the National Strategic Reference Framework (*QREN*) – the program which regulates community support to the Portuguese economy in the period between 2007 and 2013 - Millennium bcp pursued its strategy of partnership in companies' applications with the objective of supporting corporate investment and helping to raise the quality of the productive system, through innovation, of technological development and stimulating entrepreneurship.

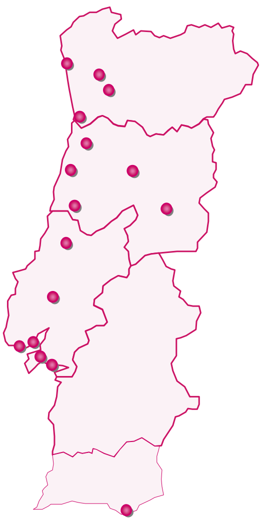
The participation in the SME lines Investe III and IV created by the Portuguese State through a partnership between banking institutions, the management authorities of the *QREN* and the Mutual Guarantee Companies (MGCs) allowed Millennium bcp to approve 12,400 operations amounting to euro 540 million, of which around 11,900 supported micro and small companies with financing amounting to approximately euro 380 million. These lines of credit aim to support the sectors of activity with the greatest dynamism (export companies, the automobile sector and tourism sector), seeking also to help to protect jobs through support to micro and small companies, which form a large percentage of the national corporate structure.

The strategy continued of contacting and maintaining a close relationship with Chambers of Commerce and Industry of the countries with which Portugal has a larger volume of commercial exchange (Spain, France, Great Britain, Germany, the United States of America, Italy, Holland and Japan), with the aim of identifying the needs for support companies' internationalization or investment projects in Portugal.

Knowledge sharing

The support provided to customers is also seen in the sharing of experience and knowledge, and during 2009 Millennium bcp promoted numerous events in which employees, customers and specialists in diverse areas took part:

"Closer to the Customer" Encounters



"Closer to the Customer":

- seminars dedicated to sharing experiences between companies of the same region, with local companies presenting success cases in processes of internationalization or investment;
- in the 21 sessions held topics were debated such as the economic environment, support for internationalization and lines of support for investment;
- total no. of customers participating: 1,130
- total no. of employees involved: 207

"Investments in the Stock Markets"

- seminars dedicated to the presentation of a perspective on the stock markets and their expected evolution for 2010;
- in each of the 12 sessions, the macro-economic context was presented and the behaviour of the stock markets analysed from a sectorial perspective;
- these sessions aimed at employees, customers and higher education students brought together more than 1,400 participants.

Listening customers

Analysing the situations which lead to complaints dissatisfaction by customers has helped the Bank to continuously improve its diverse business processes by developing initiatives with customers or by reformulating the Bank's internal processes. Of these initiatives the main ones are:

- the systematic provision of information to the users of the site with the aim of reducing the risk of fraud;
- the identification of the risk of property losses for the customer following the theft or loss of identification documents. This action led to the definition and standardisation of some internal procedures in the defence of customers' interests and a reduction in the operational risk of the Bank;
- raising awareness among the business areas with regard to incidents caused by incorrect internal processing.

Guaranteeing quality

In 2009, the Bank continued to seek quality and excellence in service, which was confirmed in the renewal for a further three years of the Certificate of Quality, by the external certification entity Bureau Veritas Certification, with which the opportunity was taken to evolve to standard ISO 9001:2008. This certification provides guarantees that operating and business processes are developed with efficiency and reliability and are continually improved upon, which demonstrates a concern with the progressive improvement in customer satisfaction and loyalty.

ISO 9001
BUREAU VERITAS
Certification
1828
Para confirmação do âmbito e respectiva validade consultar o certificado

Millennium bcp's Master Sustainability Plan (2010-2012)

Dimensions	Guidelines
Quality and Transparency in Customer Service	Promote a culture of discipline and transparency of the Organization in servicing its customers; Improve the processes of assessing customer satisfaction.
Products and Services	Promote the offer of products and services which respect principles of social responsibility and respond to new environmental challenges; Improve information on accessibility features for people with disabilities in various channels of the Bank
Microcredit	Consolidate the Bank's position as a pioneer and leader in the microcredit market, reinforcing the Bank's proximity to entrepreneurs.
Environmental Risk	Raise the awareness of companies and sectors of activity with a greater exposure to environmental risks and regulations for the topic of climate change, identifying opportunities for collaboration and strengthening partnerships to offer products which respond to the needs of modernization of these companies.

Valuing Employees

Employees have always been considered a fundamental pillar of Millennium bcp's strategy and the mainstay of the Bank's success. This importance was once again emphasised by the results obtained in the work of mapping the stakeholders, a summary of which is presented on the beginning of this chapter.

Development Programs

The Millennium bcp considers it fundamental to promote the internal training of employees, continually broadening the scope and quality of individual abilities, thereby seeking to obtain the best performance from employees and to develop their talent.

Millennium bcp was distinguished as one of the "**Best Companies for Leaders Portugal**" and the best in the banking sector, in a study carried out by the management consultant Hay Group, which identifies the best companies in the market for talent management and leadership development.

Main employee development programs implemented in 2009

Commercial areas	Central services
Grow in Retail • aimed at commercial assistants in Retail; • major training component allied to the launch of the challenge of sharing ideas and solutions with the organization to improve the Bank's performance; • duration of one year; • 49 participants. Master in Retail • aimed at commercial relations managers and assistant commercial coordinators; • major training component; • participation in a banking simulation game in a blended-learning environment; • duration of one year; • 41 participants. Leadership in Retail • aimed at commercial coordinators; • major training component; • participation in project teams on strategic topics for the Bank; • duration of one year; • 15 participants.	One day with the customer • promotes the participation, for one day, of central services employees in the daily work of a Retail branch; • helps participants to understand the conditioning factors to which employees are subject in the day-a-day running of the branches; • runs until the end of 2011; • 158 participants in 2009. Changing IT for better and SER DO • training programs to improve processes and communication in order to reinforce a culture of quality of service in the IT and Operations divisions; • 1,100 participants. We Value Experience • dedicated to the more experienced employees without management functions; • based on the aim of the good management of internal talent reflected in four pillars: remotivating, requalifying, relaunching and acknowledging.

In parallel to the development programs the Bank has specific programs which help to identify, stimulate and develop employees with high potential, in critical stages of their career, contributing towards the development and retention of staff who show capacity to assume management or high complexity functions.

People Grow

- for young people who have recently graduated with high career development potential;
- structured into a system of functional rotation in diverse areas and operations of the Bank, allowing the development of new skills and a broad overview of the business;
- 23 employees in Portugal(1) and 18 employees in Poland.

Young Specialist

- for employees who have recently completed academic courses with very good results;
- seeks to streamline and accelerate integration into the real world of the Millennium bcp and to create the necessary conditions for developing the fundamental competences and autonomy for an excellent performance in specialised functions;
- 66 employees in Portugal and 2 in Greece.

Grow Fast

- for employees with professional experience who demonstrate: (i) very positive performance; (ii) high capacity and desire to learn and to put their new skills into practice and (iii) high potential to lead teams or projects which are critical for the Group;
- aims to facilitate preparation for functions of coordination with a higher level of responsibility and/or complexity;
- 25 participants in Portugal, 22 in Poland and 3 in Greece.

(1) 7 of whom completed the program in September 2009 and were integrated in areas of the Bank

The importance of mobility in career enhancement justifies the permanent attention and monitoring which Millennium bcp dedicates to the programs which aim to support and encourage these movements. Changes in one's routine, although desired, frequently run into barriers which arise out of the natural fear of disturbing the comfort provided by habits and facing the unknown. To respond to different types of aspirations by employees who want to take on fresh challenges in their professional life, the mobility programs were redesigned.

Main employee mobility programs in Portugal

Commercial Competences Development Plan

- promotes the mobility of employees from the central services to the commercial areas;
- based on a structured training and monitoring methodology which allows the development of skills and the professional realization of the employees;
- in 2009 the 5th edition of the program took place, with the mobilization of 46 employees

Management Staff Plan

- drives the placement of management directors from central areas to the Retail, Private, Companies and Corporate and Credit Recovery areas;
- 24 employees were allocated to new activities.

New Paths Program

- supports employees who are looking for fresh challenges, offering special guarantees and advantageous conditions in mobility to branches outside of the main urban centres;
- 7 employees placed in new locations and 9 cases under analysis.

Development of employees also involves opportunities created to reflect on topics which affect the development of their professional and personal lives. With the objective of promoting internal debate on current topics, in 2009 the Bank held eight seminars - Millennium Seminars – in Oporto and Lisbon, in which over 1,300 employees took part. Each seminar was led by a guest responsible for presenting a specific topic and it was such a success that this program will be continued in 2010.

Guest speakers	Topic
Gonçalo Pascoal	The current macro-economic context
Miguel Pina e Cunha	Positive organizations
Carlos Alberto Júlio	The magic of negotiation
Miguel Pessanha	The uncertainties of the credit risk
Mark Whittle	Leadership
Carlos Pimenta	Energy challenges
Roberto Carneiro	The value of experience in the society of knowledge
Isabel Jonet	Twin Crises: the impacts of the financial and food crises

Innovation Programs

Millennium bcp continues to be committed to constant improvement, believing in the high value which can be generated by the involvement of its employees through sharing their creativity, their numerous abilities and experiences which often surpass the daily scope of their professional activity.

The ideas programs, in the diverse countries where we are present, encourage employees, irrespective of their role in the Bank, to share an idea, an improvement or even a best practice, knowing that there is a space dedicated to hearing their suggestions with a clear model of selection, assessment and implementation.

"*Mil Ideias*" (Thousand Ideas) Workshop 2009

Under this program the manner of encouraging and recognising the creative capacity of the employees is different but also generates results. In Poland, with the objective of stimulating creative capacity and the generation of ideas, Creativity Training Sessions are held to develop and to improve the capacity of coming up with new ideas amongst the employees. In Portugal one of the best initiatives includes participation in a workshop which brings together the authors of the ideas with the person in charge of the areas where the ideas will be implemented, allowing all the participants to feel that they are part of the Organization with the ability to become drivers of creativity and innovation.

Participation of employees in community activities

Millennium bcp has created opportunities for employees to participate, as volunteers, in actions to promote education and social support, sharing their skills and their knowledge with the community. These experiences benefit the communities, while enriching and stimulating new abilities in the employees.

Projects for education

Millennium bcp supports Junior Achievement Portugal – *Aprender a Empreender*, in all its programs, and is exclusive sponsor of the Graduate Program for young university students. In this program the participants create mini-companies with the support of tutors from Millennium bcp who, on a voluntary basis, collaborate in the preparation of the business plan, ensuring that the project is adapted to corporate reality. The tutor also facilitates access to relevant information and contacts. 145 students from the various universities of the country, split into 35 teams, and 35 employees from the Bank took part in the 2008/2009 edition.

Winning team of the Graduate Programme 2009

In addition to the program for the university students, the association also offers programs for younger students: The Family (1st year), The Community (2nd year), Economy for Success (9th year) and Company (12th year). During the 2008/2009 academic year this association made its programs reach more than 25 thousand primary and secondary school children, with a total of 1,220 volunteers, 50 of whom were from Millennium bcp.

In the United States of America, 16 employees of Millennium bcpbank got together for the third consecutive year with the American Bankers Association Education Foundation to visit primary schools under the Teach Children to Save program. In each of the 13 cities where the Bank is present the employees taught more than one thousand children the importance of saving and spending wisely and the basics of the financial system.

Social projects

Employees of Millennium bank in Romania worked together with the United Way Foundation to offer clothes, books, toys, televisions and DVD players to children and families.

In Poland employees held an exposition and an auction of art work by people with disabilities in the Bank's installations, under the project NIKIFORY which aims to support the creativity of these people.

In 2009, Millennium bank supported a non-profit foundation Child's Smile, which provides shelter and support for abandoned children throughout Greece in a campaign called "Employee Volunteer Network", with numerous activities amongst which there is a collection of food, clothes and books, and regular visits to the shelter homes to accompany the children.

A group of 11 employees of Millennium bcpbank in the United States of America, in an initiative promoted by Habitat for Humanity in Newark, took part in the finalization of homes for low-income families.

Volunteers of the Millennium bcpbank

Millennium bcp's Master Sustainability Plan (2010-2012)

Dimensions	Guidelines
Millennium Culture and Identity	Involve employees in initiatives outside of the scope of their daily activity to increase their sense of pride, belonging and identification with the Bank's vision, mission and values.
Motivation	Reinforce programs for staff mobility and flexibility working; Create mechanisms to increase proximity between employees and top management.
Competence and knowledge	Reinforce the internal training plans aimed at senior employees; Hold training courses on safety issues.
Equal opportunities	Reinforce a culture of equal opportunities, through the inclusion of minorities.

Sharing with the Community

Patrimony

Millennium possesses a diversified cultural patrimony including painting, tapestries, furniture, azulejo tiles, coins and medals. Sharing this patrimony has meant that different expressions of art can be enjoyed by people from outside of the Bank's circle of relations.

In this regard, Millennium bcp launched the project "Millennium bcp Shared Art – Itinerant Painting Exposition" in 2009, with the objective of encouraging an interest in painting for a wide range of people. As part of the "Millennium Encounters" the exposition was shown in Bragança, Aveiro, Évora and Funchal, and was visited by around 11,000 people. This exposition comprises 40 pictures by Portuguese authors, such as Almada Negreiros, Amadeo de Souza-Cardoso, Columbano Bordalo Pinheiro, Dordio Gomes, José Malhoa, Júlio Pomar, Júlio Resende, Manuel Cargaleiro, Paula Rego and Vieira da Silva, amongst many others. The works, which were produced between 1884 and 1992, are representative of the naturalist, modernist and contemporary art movements.

The initiative has led to the organization and production of two exposition catalogues:

- "Millennium bcp Shared Art – Itinerant Painting Exposition" to support the exposition and which received the contribution of art historian Raquel Henriques da Silva who prepared the texts which contextualised each work;
- "Discovering … a painting collection" a catalogue of activities, for children, with suggestions of activities to develop observation and artistic skills.

As part of the exposition in Évora, there was a competition amongst the schools of the district, in a joint organization between Millennium bcp and Évora City Hall. The Bank participated in the reception ceremony for the educational community and made a presentation of the art exposition and its contribution for the education of a wide audience, especially for younger people.

Education

Today the role of companies in supporting education in all of the stages of people's lives is fundamental as a promoter of the quality of individual competences which are decisive to leverage corporate productivity and competitiveness.

Support for projects and initiatives in the area of education is part of Millennium bcp's culture of Social Responsibility as it accompanies and supports a number of programs which cover all educational cycles, with a concentration of resources in universities:

- partnership with Junior Achievement in Portugal, Greece and the United States of America to support diverse education programs;
- partnership with the Ministry of Science and Technology and Information to offer 500 Magalhães computers and launch the Sapo Portal in Mozambique;
- development of research and education projects in the area of finances in partnership with the *Universidade Católica Portuguesa* and the Faculty of Economics of the *Universidade Nova de Lisboa* with the creation of a Millennium bcp endowed chair, in each University;
- support for the Lisbon MBA, promoted jointly by the Faculty of Economics of the *Universidade Nova de Lisboa*, the Faculty of Economic and Corporate Sciences of the *Universidade Católica*

Portuguesa and Sloan School of Management of the MIT (Massachusetts Institute of Technology);

- study grants to foreign students from the countries where the Bank is present (up to the present candidates from Poland and Greece have been selected), to take a course leading to Law Masters degree from the Faculty of Law of the Universidade Católica Portuguesa;
- partnership with the Institute of Economic, Financial and Fiscal Law (*IDEFF*) of the *Faculdade de Direito de Lisboa*, under the post-graduate course in Financial Markets, Competition Law and Regulation, Fiscal Law, State and Local Authority Partnerships and an Advanced course in Fiscal Law, with staff from the Bank available to take part in disciplines and to award prizes to the best students;
- Millennium bcp is a corporate partner of the Community of European Management Schools (CEMS), participating in diverse activities to support the MIM - Masters in International Management, currently recognised as the best Bologna masters degree, in the area of management in Portugal;
- masters grant program for students from Portuguese-speaking countries (*PALOP*), as well as a grant program for degrees in Angola and Mozambique, in close cooperation with Universities and the local operations.

Culture

The Millennium bcp, the main institutional patron of the Ministry of Culture, maintained its support for the *Instituto de Museus e de Conservação* and for the *Organismo de Produção Artística (OPART)*. In this regard, during 2009 support was given to the following:

- permanent exposition of the National Museum of Ancient Art (*MNAA*): 150,000 visitors;
- exposition “Encompassing the Globe”, in the *MNAA*: 70,018 visitors;
- opera/concert and Festival ao Largo program promoted by the São Carlos National Theatre: 131,600 spectators;
- Soares dos Reis National Museum: 66,553 visitors.

Some of the highlights of the Bank’s participation in museum-related activities are:

- collaboration with Archaeological Dig in Mértola in the organization and provision of space in the Bank’s building in the Rua Augusta for the presentation, in Lisbon, of the exposition “Mértola, the Last Port of the Mediterranean”, which received 1,069 visitors. Under the theme of the exhibition, it was organized a workshop called "Portugal Mediterranean", held in the exhibition space and that included the participation of four experts on the field;
- support for the Cupertino Miranda Foundation and to hold the exposition “Surrealism in the Cupertino de Miranda Collection”, which had 5,500 visitors;
- support for the International Museum of Contemporary Sculpture of Évora.

Millennium bcp’s Master Sustainability Plan (2010-2012)

Dimensions	Guidelines
Foundation	Reinforce the identity of the Millennium bcp Foundation by improving the dissemination of initiatives in the area of culture, education and social solidarity.
Financial Literacy	Make the financial know-how of Millennium bcp available to the community, focussing on the younger and more senior populations.
Volunteer Work	Structure a program of volunteer work for and with the participation of the employees.

For a better environment

Although Millennium bcp does not have a significant direct impact on the environment and on biodiversity due to the nature of its activity, by adopting good environmental practices it can reduce the internal consumption of natural resources, influence behaviour, ponder investment decisions in businesses or projects which might generate significant environmental benefits and encourage, through specific products, investment in “clean” technologies.

Digital statement

In 2009 the Bank launched a campaign with the objective of promoting the replacement of the combined paper format statement to digital format. Based on the message “Lack of Space? No More Statements”, intended to demonstrate that this service, totally free of charge, besides facilitating access to banking statements – which would be provided online through the portal or by e-mail - has advantages for the environment, saving essential resources in terms of the preservation of forests, contributing to the reduction in the emission of pollutants into the atmosphere resulting from the activity of paper pulp production. In the same way, this replacement saves resources for the Bank and for society by the knock-on effect of reducing the cost of paper and of printing the statements, putting them in envelopes and their physical distribution.

Equator Principles

Bearing in mind the potential impact of climate change, governments are introducing increasingly aggressive objectives concerning the reduction in CO_2 emissions and encourage for the technological development of renewable energies. Millennium bcp also seeks to finance investments which contributes to reduce CO_2 emissions, respecting the Equator Principles and other applicable regulatory provisions.

During the three years of experience after the new revision of the Equator Principles (6 July 2006), the Bank has been able to raise the awareness of its customers to the benefits of the projects compliance with the Equator Principles. Millennium bcp’s objective is to manage to identify, not only the social and environmental risks, fulfilling its legal requirements, but also to build a relationship with customers and transmit a permanent attitude of developing good social and environmental practices.

Participation of Millennium bcp in 2009

Investments by sector	Euros thousands
Renewable energies	435
Others	41
Total	476

Incentive to buy Solar Panels

At the start of 2009 Millennium bcp signed a protocol with the Ministries of Finance and Economy and Innovation to encourage the acquisition and installation of solar heating panels in residences or buildings used by private social solidarity institutions (*IPSS´*) or equivalents and by sports clubs and associations for public sports facilities. The acquisition of solar panels covered by this protocol gave the customer significant advantages, namely: financial participation of the State, tax benefits, financing with a reduced interest rate, no processing commissions and flexibility in the repayment period and amount.

European Union Project for the intelligent use of energy

Millennium bank in Greece supports the financing of investment in renewable energies and energy efficient products, and since 2007 is has been a partner of the European Union project for the intelligent use of energy – “FINA-RET”. Millennium bank, the only Greek bank associated to this initiative, together with six other companies and banks from around Europe, have made market studies in order to identify the market needs and the best practices in the offer of financial solutions in this regard. The result of this project was the launch in 2009 of a new line of products – “ECO Loans” - for small and medium-sized companies which promote investment in renewable energies and energy efficient technologies.

“For a Better Millennium”

The preservation of biodiversity and of water are global priorities. With the objective of reducing the Millennium bcp’s ecological footprint and contributing towards biodiversity, the Bank promoted an initiative in 2009 to reforest a plot of the Sintra-Cascais Natural Park, in partnership with Quercus and with the Agency Cascais Natura – Project Oxigénio, where 70 volunteers, including employees and their families got together to plant more than 800 trees of native species (oaks, holm-oaks and stone pines) in an area of one hectare, which had been repeatedly destroyed by fires.





Millennium bcp’s Master Sustainability Plan (2010-2012)

Dimensions	Guidelines
Policies and Practices	Formalise the Bank’s environmental policies and principles, assuming a commitment to medium/long term environmental performance.
Efficient Consumption Management	Reduce the Bank’s ecological footprint through internal programs aimed at the efficient consumption of resources.
Partnerships	Promote the Bank’s environmental performance through partnerships with leading institutions in this area.

Sustainability indicators [1]

	Units	Scope	2009	2008
Social				
Customer global satisfaction index	(%)	PT, PL, GR	79.6	69.6
Number of complaints		PT, PL, RO, MZ, USA	94,898	65,002
Average time to resolve complaints	days	PT, PL, RO, MZ, USA	23.0	14.7
Global Employee satisfaction index	(%)	PT, GR, MZ, USA	72.4	67.4
Number of hours training per employee	(hours)	PT, PL, GR, RO, MZ, USA	27.5	42.3
Ideas program – number of ideas presented		PT, PL, GR	1,472	2,142
Employees evaluated		PT, PL, GR, RO, USA	97.3%	n.d.
Employees promoted		PT, PL, GR, RO, MZ, USA	6,905	6,496
Ratio of promotions men / women		PT, PL, GR, RO, MZ, USA	1.10	0.94
Ratio men / women		PT, PL, GR, RO, MZ, USA	0.95	0.94
Employees with trade union membership		PT, GR, MZ	10,096	9,482
Employees covered by collective labour agreements		PT, GR, MZ	13,584	12,193
Ratio of lowest salary / national minimum salary		PT, PL, GR, RO, USA	1.3	n.d.
Employees with loans on preferential terms		PT, PL, GR, RO, MZ, USA	18,473	18,439
Rate of absenteeism	(%)	PT, PL, GR, RO, USA	5.5%	4.3%
Number of microcredit operations approved		PT	309	231
Donations	(M€)	PT, PL, GR, RO, MZ, USA	2.4	3.9
Environmental				
Total GHG emissions per employee [3]	(tCO_2eq)	PT e RO	7.6	6.7
Consumption of cartridges and toners per employee	(kg)	PT, PL, GR, RO, MZ, USA	1.9	2.1
Consumption of energy per employee [4]	(MWh)	PT, PL, GR, RO, MZ	7.4	7.5
Consumption of paper per employee [5]	(kg)	PT, PL, GR, RO, MZ, USA	51.8	59.9
Consumption of plastic per employee	(kg)	PT, PL, GR e RO	6.5	5.6
Consumption of water per employee[6]	(m^3)	PT, PL, GR, RO, MZ, USA	16.8	18.0

[1] Economic dimension indicators are identified in the summary of indicators presented at the beginning of this report

[2] Does not include Greece in 2008

[3] Does not include EUA in 2008.

[4] Includes direct consumption of electricity from co-generation central in Portugal

[5] Internal white paper consumption. Does not include USA in 2008

[6] Does not include values of water used in irrigation and lakes.

Main events

January

- Issue of 3 year fixed rate bonds, guaranteed by the Portuguese Republic, for the amount of 1.5 thousand million of euros, under the Euro Medium Term Notes Program.
- Organization by Millennium Investment Banking of a series of conferences with the objective of sharing knowledge and experiences with customers and reflecting on the prospects of the shareholder markets for 2009.
- Millennium bank in Greece capital increase, amounting to euro 65 million by conversion of subordinated debt.
- Millennium bank in Romania capital increase, amounting to euro 66 million.
- Under its sustainability and social responsibility initiatives, Millennium bcp supported the awarding of the "Creation of Companies, Entrepreneurship and Innovation" prizes and sponsored the Lisbon MBA.

February

- Launch of new strategic priorities for 2009.
- Conclusion of the financial transactions related with the strategic partnership agreement established with Sonangol and with Bank Privado Atlântico.
- Holding of the Millennium Encounter in Setúbal, within the strategy of boosting Millennium bcp's commercial and institutional dynamism.
- Banco Millennium Angola capital increase, with the entry of two new shareholders Sonangol and Banco Privado Atlântico, amounting to euro 83 million.
- Within its sustainability and social responsibility initiatives, Millennium bcp donated a collection of documents to the Central Library of African Studies of the Higher Institute of Labour and Corporate Science (ISCTE) and organised a tree planting initiative by employees and family members in partnership with Quercus and Cascais Natura.

March

- The Annual General Meeting was held on 30 March, in which the management report, the individual and consolidated accounts and the proposal for the appropriation of profit relating to 2008 were approved, it was decided to terminate the Senior Board and the members of the General and Supervisory Board were elected for 2009/2010.
- The Millennium Encounter was held in Braga.
- BCP Banque Privée capital increase, amounting to euro 32 million.
- Within its sustainability and social responsibility initiatives, Millennium bcp organised the Banking and Financial Markets Seminar for university students and became a partner of the Community of European Management Schools.

April

- Authorization was granted by the Bank of Portugal for Millennium to use the internal models method on its trading book, with regard to the calculation of own funds requirements for the general market risk, covering the sub-portfolios included in the perimeter managed centrally out of Portugal in relation to debt instruments, capital instruments and currency exchange risks.
- 28 branches of Millennium bcp, located in city centres and in the main commercial centres opened on Saturdays with the goal of increasing its proximity and commitment to customers.

- The Millennium Encounter was held in Santarém.
- Within its Sustainability and Social Responsibility initiatives and in collaboration with the Calouste Gulbenkian Foundation, Millennium bcp sponsored a campaign of social solidarity called "*País Solidário*", aimed at supporting families affected by the crisis.

May

- Issue of euro 300 million in Perpetual Securities with Interest Subject to Conditions, through public tender, which received authorization from the Bank of Portugal for inclusion as Tier I Capital, on an individual and consolidated basis, up to a maximum limit of 35% of their value.
- The Millennium Encounters were held in Bragança and Ponta Delgada.
- Millennium bim capital increase, amounting to euro 20 million by incorporation of reserves.
- Within its sustainability and social responsibility initiatives, Millennium bcp inaugurated the exposition "*Arte Partilhada Millennium bcp*", an itinerant exposition which will accompany the Millennium Encounters.
- Registration of the merger by incorporation of the Bank Millennium bcp Investimento, S.A., into Banco Comercial Português, S.A..

June

- Formal approval by the Bank of Portugal regarding the use of the standard method for the operational risk on a consolidated and individual basis.
- The Millennium Encounter was held in Lisbon, aiming to increase the Bank's proximity and commitment to customers, investors and the community.
- Signing of an agreement with the Asian Development Bank (ADB), aimed at promoting trade finance operations between companies which are customers of Millennium bcp and the member countries of the ADB.
- Participation of Millennium bcp in two Q&A sessions called "ABC Markets", dedicated to Mozambique, organised by the Portuguese Agency for Foreign Investment and Trade (AICEP) aimed at Portuguese Small and Medium Sized Companies.
- Millennium bcpbank capital increase, amounting to euro 9 million.
- Within its sustainability and social responsibility initiatives, Millennium bcp became the official sponsor of the 4^{th} edition of Rock in Rio – Lisbon, which will be held in May 2010; it renewed the Protocol of Cooperation with the National Association for the Right to Credit, for another three years, in a partnership the more visible scope of cooperation of which resides in the Bank's microcredit operation and it renewed the sponsorship protocol for the period 2009-2011, with the *Organismo de Producão Artística* (OPART), the entity which manages the São Carlos National Theatre (TNSC) and the National Ballet Company.

July

- Signing of the cooperation agreement between Millennium bcp and the Industrial and Commercial Bank of China (ICBC), granting customers of Millennium bcp with operations in China access to the network of banking products and services of the largest financial institution in the world and facilitating the process of internationalization of Portuguese companies. In return, this agreement allows customers of the ICBC to perform banking operations in the different countries where Millennium bcp is present.
- The Millennium Encounter was held in Aveiro.
- Within its sustainability and social responsibility initiatives, Millennium bcp sponsored the 4^{th} Concert of the Portuguese Association Against Leukaemia.
- Revision, by Standard & Poor's Ratings of the long and short term ratings attributed to Banco Comercial Português, S.A., to "A-/A-2" from "A/A-1" with reaffirmation of the "stable" outlook.

- Reaffirmation, by the rating agency Fitch Ratings (Fitch) of the long term rating notation “A+” with a “stable” outlook of Banco Comercial Português, S.A., with Fitch altering the individual rating from “B” to “B/C”. The same agency also confirmed the notation of “F1” for short term rating, rating Support “2” and the notation “BBB” for the Support Rating Floor.

August

- Accord of Millennium bcpbank to the issue of a consent order by the Office of the Controller of the Currency (OCC) of the United States of America, establishing a number of measures aimed at redefining the strategic plan, strengthening governance structures and capital ratios and improving risk management.
- Launch by Millennium bcp of a new line of credit under the “PME Investe III”, aimed specifically at supporting the treasury of companies in the tourism sector located in national territory with an annual volume of billing under euro 150 million.
- Issue of euro 600 million of Perpetual Securities with Interest Subject to Conditions, through public tender.
- Within its sustainability and social responsibility initiatives, Millennium bcp signed a protocol with the Ministries of Finance and of the Economy and Innovation to define the conditions for the purchase and installation of solar heating panels, and organised the “*Workshop Portugal Mediterrâneo*” through the Millennium bcp Foundation.

September

- Agreement to reduce the shareholder participation of the Group Millennium bcp in the Project of Urban Re-qualification and Re-construction Luanda Bay Project to 10%.
- Merger by incorporation of Bank Millennium bcp Investimento S.A., into Banco Comercial Português, S.A., by the global transfer of the assets of the incorporated company to the incorporating company and the extinction of Bank Millennium bcp Investimento, S.A..
- Signing of a protocol of cooperation between Millennium bcp and the Portuguese Red Cross – Lisbon unit, aiming to grant access to Microcredit for a broader universe of people with entrepreneurial capacity.
- Revision, by Moody's of the senior debt ratings of Banco Comercial Português, S.A., together with that of other Portuguese banks, from “Aa3/P-1” to “A1/P-1” and of the Bank Financial Strength Rating (BFSR - financial solidity) from “C+” to “D+”. The outlook on BFSR is “negative”.

October

- The Millennium Encounter was held in Évora.
- Participation of Millennium bcp in two Q&A sessions called “ABC Markets” dedicated to Angola, organised by the AICEP and aimed at Portuguese Small and Medium Sized Companies.
- Organization by Millennium bcp of two conferences “Euro 2012 - Business Opportunities in Poland and Ukraine”, together with the Embassies of Poland and the Ukraine.

November

- The Millennium Encounter was held in Funchal and the Exposition “*Arte Partilhada Millennium bcp*” was inaugurated in the Museum of Contemporary Art of Funchal.
- Participation of ActivoBank7 in “Infovalor – 1st Savings and Investment Forum”.
- Conclusion of the Process of Mediation with Investors, carried out under the auspices of the Securities and Exchange Commission (CMVM), relating to divergences with shareholders on possible incorrect commercial action by employees of the Bank, in the so-called "Shareholder Campaigns" held in the years 2000 and 2001.
- Decision of the General and Supervisory Board, in a meeting held on 11 November 2009, to accept the suspension of Armando Vara as Director and Deputy Chairman of the EBD until the

facts are clarified in the case which was publically publicised. The General and Supervisory Board also decided, within the terms of the law and of the by-laws, to replace this Director, appointing for the purpose, as a member of the EBD, Miguel Maya Dias Pinheiro.

- Communication that in addition to the Deputy Chairman of the EBD Paulo Moita Macedo, who will remain in office, the Director Vítor Manuel Lopes Fernandes was temporarily appointed, during the period of suspension from office of Armando Vara, to also exercise the functions of Deputy Chairman of the EBD, with them being responsible, namely, in the order indicated, for substituting the Chairman in his absence or impediment.

December

- Discontinuation of conversations aimed at the possible acquisition, by a Mozambican group, of a shareholding of up to 10% of the share capital of Millennium bim.
- Signing of a protocol of cooperation with the Portuguese Red Cross – Braga unit, aiming to grant access to Microcredit for a broader universe of people with entrepreneurial capacity.
- Approval by Bank Millennium's General Meeting of Shareholders of the capital increase amounting to euro 258 million.
- Institution of the "Médis Prize for Excellence in Health Research", which aims to distinguish research work in health sciences which contribute towards social and human development in the area of health.

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Financial Statements

Consolidated Balance Sheet

as at 31 December, 2009 and 2008

euros thousands

	2009	2008
Assets		
Cash and deposits at central banks	2,244,724	2,064,407
Loans and advances to credit institutions		
Repayable on demand	839,552	1,048,348
Other loans and advances	2,025,834	2,892,345
Loans and advances to customers	75,191,116	75,165,014
Financial assets held for trading	3,356,929	3,903,267
Financial assets available for sale	2,698,636	1,714,178
Assets with repurchase agreement	50,866	14,754
Hedging derivatives	465,848	117,305
Financial assets held to maturity	2,027,354	1,101,844
Investments in associated companies	438,918	343,934
Non current assets held for sale	1,343,163	826,276
Investment property	429,856	436,480
Property and equipment	645,818	745,818
Goodwill and intangible assets	534,995	540,228
Current tax assets	24,774	18,127
Deferred tax assets	584,250	586,952
Other assets	2,647,777	2,904,447
Total Assets	**95,550,410**	**94,423,724**
Liabilities		
Amounts owed to central banks	3,409,031	3,342,301
Amounts owed to others credit institutions	6,896,641	5,997,066
Amounts owed to customers	46,307,233	44,907,168
Debt securities	19,953,227	20,515,566
Financial liabilities held for trading	1,072,324	2,138,815
Other financial liabilities held for trading at fair value through results	6,345,583	6,714,323
Hedging derivatives	75,483	350,960
Non current liabilities held for sale	435,832	–
Provisions for liabilities and charges	233,120	221,836
Subordinated debt	2,231,714	2,598,660
Current income tax liabilities	10,795	4,826
Deferred income tax liabilities	416	336
Other liabilities	1,358,210	1,383,633
Total Liabilities	**88,329,609**	**88,175,490**
Equity		
Share capital	4,694,600	4,694,600
Treasury stock	(85,548)	(58,631)
Share premium	192,122	183,368
Preference shares	1,000,000	1,000,000
Other capital instruments	1,000,000	–
Fair value reserves	93,760	214,593
Reserves and retained earnings	(243,655)	(274,622)
Profit for the year attributable to Shareholders	225,217	201,182
Total Equity attributable to Shareholders of the Bank	**6,876,496**	**5,960,490**
Minority interests	344,305	287,744
Total Equity	**7,220,801**	**6,248,234**
Total Liabilities and Equity	**95,550,410**	**94,423,724**

Consolidated Income Statement

for the years ended 31 December, 2009 and 2008

euros thousands

	2009	2008
Interest income	3,639,479	5,269,597
Interest expense	(2,305,324)	(3,548,549)
Net interest income	**1,334,155**	**1,721,048**
Dividends from equity instruments	3,336	36,816
Net fees and commission income	731,731	740,417
Net gains / losses arising from trading and hedging activities	249,827	280,203
Net gains / losses arising from available for sale financial assets	(24,457)	(262,104)
Other operating income	41,137	57,580
	2,335,729	**2,573,960**
Other net income from non banking activity	16,233	17,390
Total operating income	**2,351,962**	**2,591,350**
Staff costs	865,337	915,307
Other administrative costs	570,177	642,641
Depreciation	104,736	112,843
Operating costs	**1,540,250**	**1,670,791**
	811,712	920,559
Loans impairment	(560,029)	(544,699)
Other assets impairment	(70,485)	(60,024)
Other provisions	(26,871)	15,500
Operating profit	**154,327**	**331,336**
Share of profit of associates under the equity method	66,262	19,080
Gains from the sale of subsidiaries and other assets	74,930	(8,407)
Profit before income tax	**295,519**	**342,009**
Income tax		
Current	(65,634)	(44,001)
Deferred	19,417	(39,997)
Profit after income tax	**249,302**	**258,011**
Attributable to:		
Shareholders of the Bank	225,217	201,182
Minority interests	24,085	56,829
Profit for the year	**249,302**	**258,011**
Earnings per share (in euros)		
Basic	0.03	0.03
Diluted	0.03	0.03

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Proposal for the appropriation of profits of Banco Comercial Português, S.A.

I

In accordance with article 66 (5) (f) , and under the terms of article 376 (1) (b) , of the Companies Code, and article 31 of the Bank's articles of association, we propose the following application of year-end results amounting to 206,326,350.32 euros:

a) 20,632,635.04 euros for reinforcement of the legal reserve;

b) 10,000,000.00 euros for reinforcement of the reserve for dividend stabilisation;

c) 89,197,400.00 euros for dividend payout;

d) 86,496,315.28 euros for retained earnings.

II

Since the overall amount of 89,197,400.00 euros mentioned above as the dividend payout was calculated, as is customary, on the basis of a unitary dividend per share of 0.019 euros, and since it is not possible to determine the exact number of treasury shares that might be held in the Bank's portfolio on payment date;

It is proposed that a resolution be adopted, by way of clarification of the distribution of dividends set forth above, to the effect that:

a) the dividend of 0.019 euros shall be paid in respect of each share;

b) the dividend on the shares held by the Company on the first day of the dividend payment period shall not be paid, and shall be registered under retained earnings.

Annex

Compliance with the recommendations of the Financial Stability Forum (FSF) and of the Committee of European Banking Supervisors (CEBS) regarding the transparency of information and assets valuation.

		Page
I.	**Business Model**	
1.	Description of the business model (i.e. of the reasons for engaging in activities and of the contribution to value creation process) and, if applicable of any changes made (e.g. as a result of crisis).	*Annual Report Vol. I - Millennium Group pag. 17-20; Segmental Reportingpag. 98-158.*
2.	Description of strategies and objectives.	*Annual Report Vol. I - Strategy in an Adverse Context pág. 49-54. Information on the exposures to activities and products that were affected by the recent financial crisis pag. 182.*
3.	Description of importance of activities and contribution to businees (including a discussion in quantitative terms).	*Annual Report Vol. I - Segmental Reporting pag. 98-158. Note 52 to the Consololidated Accounts.*
4.	Description on the type of activities including a description of the instruments as well as of their functioning and qualifying criteria that products/investments have to meet.	*Annual Report Vol. I - Risk Management pag. 159-189; Notes 22-24 to the Consolidated Accounts.*
5.	Description of the role and the extent of involvement of the institution, i.e. Commitments and obligations.	*Annual Report Vol. I - Risk Management pag. 159-189; Notes 22-24 to the Consolidated Accounts.*
II.	**Risks and risk management**	
6.	Description of the nature and extent of risks incurred in relation to the activities and instruments.	*Annual Report Vol. I - Risk Management pag. 159-189; Notes 6-7;53 to the Consolidated Accounts.*
7.	Description of risk management pratices of relevance to the activities, of any identified weaknesses of any corrective measures that have been taken to address these;	*Annual Report Vol. I - Risk Management pag. 159-189; Note 53 to the Consolidated Accounts.*
	(In the current crisis, particular attention should be givven to liquidity risk.)	*Annual Report Vol. I - Risk Management pag. 178-180. Note 53 to the Consolidated Accounts.*
III.	**Impact of the crisis on results**	
8.	Qualitative and quantitative description of results, with a focus on losses (where applicable) and write-downs impacting the results.	*Annual Report Vol. I - Financial Review pag. 65-97; Notes 6-7 to the Consolidated Accounts.*
9.	Breakdow of the write-downs/losses by types of products and instruments affected by the crisis (CMBS, RMBS, CDO, ABS and LBO further broken down by different criteria).	*Annual Report Vol. I - Information on the exposures to activities and products that were affected by the recent financial crisis pag. 182.*
10.	Description of the reasons and factors responsible for the imapct incurred.	*Annual Report Vol. I - Macroeconomic and Competitive Environment pag. 55-62.*
11.	Comparison of i) impacts between (relevant) periods and of ii) income statement balances before and after the impact of the crisis.	*Annual Report Vol. I - Financial Review pag. 65-97.*

		Página
12.	Distinction of write-downs between realised and unrealised amounts.	*Annual Report Vol. I - Risk Management pag. 159-189. Notes 6-7, 42 to the Consolidated Accounts.*
13.	Description of the influence of the crisis had on the firm's share price.	*Annual Report Vol. I - BCP Share pag. 40-47.*
14.	Disclosure of maximum loss risk and description how the institution's situation could be affected by a further downturn or by a market recovery.	*Annual Report Vol. I - Risk Management pag. 159-189. Note 42 to the Consolidated Accounts.*
15.	Disclosure of maximum loss risk and description how the institution's situation could be affected by a further downturn or by a market recovery.	*Annual Report Vol. I - Financial Review pag. 65-97. Note 49 to the Consolidated Accounts.*
IV	**Exposure levels and types**	
16.	Nominal amount (or amortised cost) and fair values of outstanding exposures.	*Annual Report Vol. I - Information on the exposures to activities and products that were affected by the recent financial crisis pag. 182. Notes 22-24 to the Consolidated Accounts.*
17.	Information on credit protection (e.g. through credit default swaps) and its effect on exposures.	*Annual Report Vol. I - Information on the exposures to activities and products that were affected by the recent financial crisis pag. 182.*
18.	Detailed disclosure about exposures, with decomposition by: – level of seniority of tranches; – level of credit quality (e.g. Ratings, investment grading, vintages); – geographic origin; – activity sector; – whether exposures have been originated, retained, warehoused or purchased; – product characteristics: e.g. Ratings, share of sub-prime mortagages, discount rates, attachment points, spreads, funding; – characteristics of the underlying assets: e.g. Vintages, loan-to-value ratios, information on liens, weighted average life of the underlying, prepayment speed assumptions, expected credit losses.	*Annual Report Vol. I - Information on the exposures to activities and products that were affected by the recent financial crisis pag. 182.*
19.	Movements shedules of exposures between relevant reporting periods and the underlying reasons (sales, disposals, purchases, etc.).	*Annual Report Vol. I - Information on the exposures to activities and products that were affected by the recent financial crisis pag. 182.*
20.	Discussion of exposures that have not been consolidated (or that have been recognised in the course of the crisis) and the related reasons.	*Annual Report Vol. I - Information on the exposures to activities and products that were affected by the recent financial crisis pag. 182.*

	Página
21. Exposure to monoline insurers and quality of insured assets: – nominal amounts (or amortised cost) of insured exposures as well as of the amount of credit protection bought; – fair values of the outstanding exposures as well as of the related credit protection; – amount of write-downs and losses, differentiated into realised and unrealised amounts; – breakdowns of exposures by ratings or counterparty.	*Annual Report Vol. I - Information on the exposures to activities and products that were affected by the recent financial crisis pag. 182.*
V. Accounting policies and valuation issues	
22. Classification of the transactions and structured products for accounting purposes and the related accouting tratment;	*Annual Report Vol. I - Information on the exposures to activities and products that were affected by the recent financial crisis pag. 182. Note 49 to the ConsolidatedAccounts.*
23. Consolidation of SPEs and other vehicles (suce as VIEs) and a reconciliation of these of the structured products affected by the sub-prime crisis;	*Annual Report Vol. I - Information on the exposures to activities and products that were affected by the recent financial crisis pag. 182. Note 1 to the Consolidated Accounts (Accounting Policies).*
24. Detailed disclosures on fair values of financial instruments: – financial instruments to which fair values are applied; – fair value hierarchy (a breakdown of all exposures at fair valur by different levels of the fair value hierarchy and a breakdown between cash and derivative instruments as well as disclosures on migrations between the different levels); – treatment of day 1 profits (including quantitative information); – use of the fair value option (including its conditions for use) and related amounts (with appropriate breakdowns).	*Annual Report Vol. I - Risk Management pag. 159-189. Notes 22-24; 42 and 49 to the Consolidated Accounts.*
25. Disclosures on the modelling techniques used for the valuation of financial instruments, including: – discription of modelling techniques and of the instruments to which ther are applied; – description of valuation processes (including in particular discussions of assumptions and input factors the models rely on); – types of adjustments applied to reflect model risk and other valuation uncertainties; – sensitivity of fair values; – stress scenarios.	*Annual Report Vol. I - Risk Management pag. 159-189. Notes 49 and 53 to the Consolidated Accounts.*
VI. Other disclosure aspects	
26. Description of disclosure.	*Annual Report Vol. I - Risk Management pag. 159-189. Note 49 and 53 to the Consolidated Accounts. Note 1 to the Consolidated Accounts (Accounting Policies).*

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Ownership: Millennium bcp
www.millenniumbcp.pt
Banco Comercial Português, PLC
Registered Office: Praça D. João I, 28 – 4000-295 Porto, Portugal
Equity Capital: €4,694,600,000
Registered at the Porto Registry of Companies
under single registration and VAT number 501 525 882